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ABSTRACT

The report evaluates the functions and effectiveness of sheltered workshops for handicapped students in Minnesota. The initial chapter reviews the history of the workshops, discusses participation in state workshops, describes programs and services of vocational rehabilitation, and summarizes funding of rehabilitation facilities. A chapter on client outcomes focuses on comparisons with other state rehabilitation agencies, movement toward competitive employment, wages and benefits, and closures during 1983. Recommendations are made for changing the emphasis from work adjustment programs for sheltered workshops to programs teaching job skills geared toward competitive employment. A chapter on vocational rehabilitation funding of sheltered workshops addresses the application of the Minnesota Division of Vocational Rehabilitation (DVR) funding formula. Recommendations include the need to amend existing state laws to expand the definition of sheltered employment programs. A final chapter on leadership and oversight on the part of the DVR assesses that agency's performance in funding programs, certifying workshops' programs, evaluating the performance of sheltered workshops, and providing leadership in work and training model development. (CL)

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ED245462

EVALUATION OF

SHELTERED EMPLOYMENT PROGRAMS

March 28, 1984

OFFICE OF THE LEGISLATIVE AUDITOR
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PREFACE

In May 1983, the Legislative Audit Commission directed the Program Evaluation Division to study sheltered employment programs for handicapped persons. Legislators and others wanted to know if sheltered employment is still a useful vocational activity for the growing number of handicapped adults who live in their own communities. They also wanted to know how well state agencies were performing their responsibilities to oversee and fund sheltered employment programs.

Our study has focused on the work of the Minnesota Division of Vocational Rehabilitation in the Department of Economic Security and on the 28 sheltered workshops with which it works. We found that the Division of Vocational Rehabilitation needs to change the way it distributes funds and oversees the effectiveness of sheltered employment programs in order to improve the opportunities for handicapped persons to find meaningful work.

We were assisted by the full cooperation of the staffs of the two state rehabilitation agencies: the Division of Vocational Rehabilitation and the Division of Services for the Blind and Visually Handicapped in the Department of Public Welfare. This report was written by Allan Baumgarten (project manager), Deborah Fine, and Maureen O'Brien.

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PROGRAM EVALUATION DIVISION

The Program Evaluation Division is part of the Office of the Legislative Auditor. The division's general responsibility, as set forth in statute, is to determine the degree to which activities and programs entered into or funded by the state are accomplishing their goals and objectives and utilizing resources efficiently. A list of the division's studies appears at the end of this report.

Topics for study are approved by the Legislative Audit Commission (LAC), but the findings, conclusions, and recommendations in Program Evaluation Division reports are solely the responsibility of the Legislative Auditor and division staff and are not necessarily the position of the LAC or any of its members. Upon completion, reports are sent to the LAC for review and are distributed to other interested legislators and legislative staff.

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EXECUTIVE SUMMARY

Sheltered employment is intended to provide work to handicapped persons as they progress toward competitive employment or when competitive job opportunities do not exist. A network of 31 non-profit agencies provide sheltered employment programs to handicapped Minnesotans. In general, these workshops offer traditional forms of sheltered work. They emphasize labor intensive assembly and packaging tasks which take place within the four walls of the workshop.

The Minnesota Division of Vocational Rehabilitation (DVR) in the Department of Economic Security is responsible for distributing state sheltered employment subsidies to 28 of these workshops and for overseeing their programs. The number of persons served by these programs has grown from 700 in 1970 to nearly 6,000 in 1984. The Division of Services for the Blind and Visually Handicapped in the Minnesota Department of Public Welfare provides some funding to three other workshops which primarily serve persons who are visually handicapped.

Our study focused on the Division of Vocational Rehabilitation and the workshops with which it works. We examined these questions:

- How well does DVR perform its responsibilities of funding and overseeing sheltered employment programs?
- Does sheltered employment still provide a meaningful vocational activity for handicapped persons?

A. SHELTERED WORKSHOPS AND THE PERSONS THEY SERVE

1. WORKSHOPS

Sheltered workshops in Minnesota are non-profit agencies that provide sheltered employment and vocational rehabilitation services. Workshops offer three types of sheltered employment. The largest program is sheltered work, which provides transitional and long-term employment to handicapped persons who are at least 25 percent as productive as non-handicapped workers. Individuals who are less productive can participate in work activity programs within the workshops. Some sheltered workshops operate work component programs for clients served in nearby developmental achievement centers.

Sheltered workshop agencies reported revenues of nearly $46.4 million in 1983 from sheltered employment and their other programs. About 43 percent of that amount was earned through the sale of proprietary products and through subcontracts with manufacturers. The state provides about 20 percent of workshop revenues and funds

workshops in two ways. First, it allocates subsidies to sheltered employment programs of $7.3 million in 1984. It also spends $2.5 million a year for rehabilitation services from the workshops, including vocational evaluation, work adjustment and skill training, and clinical therapies.

In 1983, nearly one-half of the budgets of sheltered workshop agencies was spent on wages and benefits for non-handicapped staff members. Handicapped workers received 17.3 percent of expenditures. Production supplies and other business expenses accounted for the rest.

2. SHELTERED WORKERS

In the past twenty years, mentally retarded persons have become the largest disability group in sheltered workshops in Minnesota. They now comprise about two-thirds of all sheltered workers. Mentally ill persons are now one-fourth of all sheltered workers.

Nearly half of the sheltered workers in Minnesota workshops are between 22 and 35 years of age. About one-half of the workers receive public assistance benefits, mostly Supplemental Security Income (SSI) to supplement their earnings.

Under federal law, sheltered workshops can pay their handicapped employees less than the federal minimum wage of $3.35 per hour. Wages for sheltered workers are typically low. In 1980, the average wage was $1.44 per hour. It has changed very little since then. We found that:

- The average hourly wage for sheltered workers in 1984 is expected to be $1.66.

Only one workshop in the state pays an average wage above the federal minimum wage. Thirteen workshops pay average wages that are less than one-half the minimum wage. Workshops do not offer a full week of work or other programs; the average work week in 1983 was 26 hours. The average annual wage of sheltered workers in 1983 was about $2,350.

Wages paid in work activity and work component programs are also low. In 1983, the average hourly wage for work activity was $0.66, and the average hourly wage for work component was $0.53.

B. HOW DVR DISTRIBUTES STATE SUBSIDIES TO SHELTERED WORKSHOPS

DVR allocates state subsidies for sheltered employment programs. In doing so, it purchases employment services on behalf of handicapped persons. We wanted to know if DVR is a prudent purchaser of services.

DVR uses an allocation formula to give each workshop the same proportion of its net cost for each program, as required by statute. To calculate net program cost, DVR takes the total cost of operating a sheltered work or work activity program and subtracts out the cost of production supplies and worker wages and certain benefits.

If the allocation process were carried out as DVR describes it, each workshop would have received subsidies of about 39 percent of net program costs for sheltered work and work activity in 1984. However, we found that:

- DVR manipulates the formula allocations to preserve the status quo. Thus, the goals of the formula are not achieved.

For example, DVR sought to protect facilities whose 1984 formula allocation would have been lower than their subsidy in previous years. DVR adjusted the allocations so that no workshop would receive less than its 1983 allocation. On the other hand, DVR limited increases to 9.4 percent, so that no one would get much more than in 1983.

As a result of these manipulations, DVR perpetuates historic inequities in sheltered employment subsidies. It also fails to meet the statutory requirement of proportional distribution. While the average sheltered work subsidy was 39 percent of net program cost, one workshop received 18 percent while three received more than 50 percent.

We also found that:

- DVR's allocation of state subsidies favors workshops with high operating costs but does not measure the cost-effectiveness of programs.

A workshop that increases its overhead or administrative costs will increase its formula allocation. But if the workshop increases wages and benefits paid to workers, its allocation will not increase.

- DVR allocates subsidies with little regard for the number of hours of work or program provided by the workshops.

In allocating subsidies, DVR assigns a work station capacity to each workshop. While it might be assumed that one station is equal to one individual receiving a full-time sheltered work program for one year, it is not. The average sheltered work station provides 1,212 hours of work; a little more than a half-time position. However, we found that at one sheltered workshop, a station is equal to 544 hours of work, while at a second workshop, a station provides 2,004 hours of work.

At the same time, the subsidy per work station varies widely. While the average subsidy per station for 1984 is $1,806, subsidies range from $319 to $3,278 per station.

Since we found that DVR's measures of work station capacity were meaningless, we compared the DVR subsidy for each hour of work at different sheltered workshops. The average hourly subsidy for sheltered work was $1.50. Again, the range was very wide: three workshops received less than $1.00 per hour while three other workshops received more than $2.50 per work hour in state subsidies.

We found:

- DVR distributes subsidies without consideration of wages and benefits paid to sheltered workers.

The state subsidy is not intended to directly subsidize the wages and benefits paid to handicapped workers. To the worker, however, wages are the most tangible benefit of employment. In most sheltered employment programs, we found that:

- The state subsidy exceeds the wages and benefits paid to sheltered workers.

The gap was widest in work activity programs, where the average state subsidy of $1.79 per work hour was more than twice as much as the average hourly wages and benefits paid. In some instances, a workshop's subsidy was more than four times its average wages and benefits.

Since 1981, the Legislature has appropriated additional subsidies to provide sheltered employment for persons affected by the Welsch v. Levine consent decree. We found that DVR has used the special appropriation as another subsidy to be distributed to workshops. When DVR allocated the funds, it did not consider whether workshops were making effective use of existing subsidies. We found similar problems with the way DVR distributed subsidies for new stations to serve persons on waiting lists for services.

C. CLIENT OUTCOMES

The Minnesota Division of Vocational Rehabilitation uses sheltered workshops to provide rehabilitation services and long-term employment to handicapped persons. We examined the effectiveness of these programs by looking at some outcomes for persons that DVR refers to sheltered workshops.

When DVR accepts a handicapped person for services, agency staff may send that person to a rehabilitation facility, such as a sheltered workshop, for an evaluation of the client's vocational abilities. After the evaluation, the facility may attempt to immediately place the client in a competitive job or may refer him for training in a specific job skill. In many other cases, an evaluation results in the client being placed in a work adjustment training program to learn appropriate work behaviors or to build up his capacity for work. Most work adjustment training programs take place within a rehabilitation facility.

If the client completes his training programs and is able to find and hold a job, DVR considers him successfully rehabilitated and closes his case. Successful outcomes include a competitive job, sheltered work, or work as a homemaker or other unpaid family worker. If the person cannot find or hold a job, the agency may terminate services and close that person's case as unsuccessfully rehabilitated.

We found that the proportion of DVR clients closed as sheltered workers grew from 9.2 percent in 1979 to 15.6 percent in 1982 and 12.4 percent in 1983. During the same period, the proportion of successfully rehabilitated clients who became competitively employed declined.

We examined a group of about 1,000 DVR clients who received evaluation and training services from sheltered workshops, and whose cases were closed during 1983. Most of these individuals received work adjustment training from a sheltered workshop. Of those who received work adjustment training, 45.5 percent were later closed as sheltered workers; 28.9 percent were not successfully rehabilitated; and 25.6 became competitively employed.

DVR spends a good deal of money for evaluation and training services for clients who become sheltered workers. For clients closed in sheltered work in 1983, DVR paid an average of $2,700 per client for all services received. DVR paid workshops an average of $1,932 per client for work adjustment training for individuals who eventually became sheltered workers. When their cases were closed two to six months after placement in sheltered work, they were earning an average of $49.00 a week.

Three workshops received average fees in excess of $2,800 per client for work adjustment training for clients who became sheltered workers. We also found that DVR paid very high fees--as much as $7,000 in one case--for work adjustment training for some individuals who became sheltered workers.

Although sheltered employment is intended to provide transitional program to prepare handicapped persons for more competitive jobs, it does not achieve that objective. We found that the rate of placement from sheltered work to competitive employment in Minnesota was lower than national averages.

- In 1983, only 83 out of 3,000 sheltered workers, or about 2.7 percent, were placed in competitive jobs.

We identified several reasons for low rates of movement into competitive employment. First, placement depends largely on the initiative of the workshops which have no fiscal incentive to help sheltered workers make the transition to competitive employment. However, there are obvious advantages for workshops to retain their productive and capable workers. Second, DVR does little to evaluate whether sheltered placement is still appropriate because most long-term sheltered workers are no longer DVR clients.

Sheltered workers can try to re-enter the DVR service system for training or other help in finding a competitive job. However, we found that this happens infrequently and rarely results in a competitive placement. Between 1981 and 1983, 190 sheltered workers were referred to DVR for services. Nearly one-third of them were not accepted for services. Of those whose cases have been closed, 26 remained sheltered workers and only 20 became competitively employed.

D. POLICY AND PROGRAM LEADERSHIP

DVR's administrative rules call on the agency "to determine the feasibility and effectiveness of the proposed and existing program in achieving the purposes of the [Long-Term Sheltered Employment] act." If, as occurs every year, available funds are insufficient to support the approved plans and budgets of all workshops, DVR's rules say it should give priority based on several factors, including the effectiveness of the workshops' programs.

DVR believes that its rules do not require it to evaluate the effectiveness of individual workshops when it allocates subsidies. Consequently, it does not.

We disagree with DVR's interpretation of its rules. However, we think interpretation of rules is a secondary issue. The more important point is that the money DVR distributes to sheltered workshops could give DVR important leverage over sheltered employment programs. The agency could exercise that leverage to encourage workshops to improve their programs and to develop meaningful vocational activities for handicapped persons.

Instead, DVR has chosen to play the role of a passive funder. Indeed, in the last five years, as state spending on employment programs for handicapped persons has grown, DVR has reduced its own involvement in overseeing programs. Until 1984, DVR staff conducted a periodic certification survey of each sheltered workshop. It has now discontinued its certification reviews and, instead, required each workshop to be accredited by a national agency, such as the Commission on Accreditation of Rehabilitation Facilities (CARF).

DVR requires very little reporting from workshops about their workers and the effectiveness of their sheltered employment programs. For example, DVR does not collect information from workshops about the individuals who move from sheltered work into competitive jobs in order to know their handicaps, the kinds of occupations in which they are placed, or their earnings. DVR does not ask workshops to report on the productivity or wages of individual sheltered workers.

In our view, the outlook for traditional models of sheltered work is poor. Rates of placement in competitive work are low partly because workshop jobs are not widely available in industry. During

the next 15 years, it is expected that 8.6 million new jobs will be created in service industries. Few of those jobs will be in sheltered workshops. Furthermore, the demand for the work in which workshops specialize--assembly and light industry--has dropped, and competition from companies with high speed machinery and from other workshops has increased. As a result, workshops cannot secure enough subcontracts to keep their workers busy.

We think that DVR has not exercised the necessary leadership to help improve vocational programs for handicapped persons. DVR distributes nearly all of the sheltered employment subsidies to workshops offering traditional programs. Only a small portion--$143,000 out of nearly $7 million in 1983--goes to programs which provide sheltered work in community settings. Similarly, DVR has distributed most of its discretionary grants to workshops for projects that continue the current model of sheltered work.

E. RECOMMENDATIONS

In this report, we have identified serious problems with sheltered employment programs in Minnesota and with DVR's performance in funding and overseeing those programs. We have offered a series of recommendations to address these problems.

We recommend:

- The current system of subsidies should be replaced by one in which sheltered employment is a service which DVR purchases on behalf of handicapped persons.

- DVR should be a prudent buyer of services and should pay for sheltered employment programs on the basis of measures of quality and effectiveness.

- The funding system should provide financial incentives for workshops and other service vendors to place handicapped persons in competitive jobs and should pay for efforts by workshops to support a worker's transition to competitive employment.

- The state should increase the availability and use of training programs which teach actual job skills in a work setting. At the same time, the state should spend less money on training programs which predictably result in a sheltered work placement.

- DVR should develop an ongoing system to monitor and evaluate sheltered employment programs. It should measure program effectiveness from the state's perspective as a purchaser of services and from the worker's point of view, as a consumer.

INTRODUCTION

During the last 30 years, Minnesota has developed a network of non-profit agencies that provide rehabilitation services and long-term sheltered employment to handicapped persons. Most sheltered workshops in Minnesota provide traditional types of sheltered employment, emphasizing routine assembly and packaging tasks.

In 1984, two important developments have expanded and changed the need for work programs for handicapped persons. First, many severely handicapped persons have left state hospitals and are served in residential programs in their own communities. Second, many handicapped youths are completing special education programs and need appropriate work programs. The state is looking for ways to provide meaningful vocational programs for these persons.

Legislators and others have asked if sheltered employment is still a useful vocational activity for handicapped persons. They also want to know if state agencies which oversee and fund these programs are doing their jobs effectively.

The Program Evaluation Division has completed an evaluation of sheltered workshop employment and training programs for handicapped Minnesotans. Our report focuses on the work of the larger state rehabilitation agency, the Division of Vocational Rehabilitation in the state Department of Economic Security, and the sheltered workshops that it oversees. Our report also includes some information about programs provided by the Division of Services for the Blind and Visually Handicapped in the Department of Public Welfare.

Chapter I of this report provides descriptive information about the history and finances of sheltered workshops and rehabilitation programs in Minnesota and about the persons they serve. In Chapter II, we examine some measures of the effectiveness of sheltered workshop rehabilitation and employment programs. Chapter III presents our analysis of how the Division of Vocational Rehabilitation distributes state program subsidies to sheltered workshops. Finally, Chapter IV presents our review of how the Division of Vocational Rehabilitation oversees and evaluates sheltered employment programs. Appendix A presents a description of non-traditional programs which provide work and job training to handicapped persons, while Appendix B provides some additional background material about the state rehabilitation agencies.

I. SHELTERED WORKSHOPS IN MINNESOTA: HISTORY, CLIENTS, PROGRAMS, AND BUDGET

This chapter presents an overview of the development and operation of sheltered workshops in Minnesota and describes their workers, programs, and sources of financial support. In this report, we use the term "sheltered workshop" to refer to private non-profit agencies which provide rehabilitation services and long-term sheltered employment for handicapped persons. Evaluation findings, recommendations, and conclusions are included in later chapters.

In 1919, there were three sheltered workshops in Minnesota providing vocational rehabilitation services to handicapped individuals. Minnesota now has a network of 31 sheltered workshops and work activity centers of which 28 are certified and partially funded by the Division of Vocational Rehabilitation (DVR) in the state Department of Economic Security. The Division of Services for the Blind and Visually Handicapped in the Department of Public Welfare (DPW) provides funding and oversight to three sheltered workshops which offer specialized vocational rehabilitation services to blind and visually impaired persons. In 1984, the state will spend $7.3 million for long-term sheltered employment programs.

A. HISTORY

Sheltered workshops are an important component of the vocational rehabilitation system. That system has expanded in the past 30 years because of the enactment of federal and state laws providing funding for rehabilitation services.[1]

Minnesota began to provide comprehensive rehabilitation and job placement services to handicapped individuals in 1919. Federal legislation enacted one year later authorized federal funding to states for the establishment of a single state vocational rehabilitation agency except where an agency for the blind was already in operation. Minnesota and 27 other states provide vocational rehabilitation services to visually impaired persons through a separate state agency.[2] Although established in 1917, the Minnesota Division of Services for the Blind and Visually Handicapped did not receive federal funds to support its programs and services until 1943 when the responsibility

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[1]Most of the material in this section is taken from Minnesota State Rehabilitation Facilities Plan, 1980; DVR, Policy Administration Manual, Field Office Procedures, Counselor's Manual; and DVR, Long-Term Sheltered Employment/Work Activity Applications for Funding, August 1983.

[2]Rehabilitation Services Administration, Chicago Regional Office, February 15, 1984.

for providing vocational rehabilitation services to visually impaired individuals was transferred from the Division of Vocational Rehabilitation to the Department of Public Welfare.

Subsequent federal legislation increased the funds available for the expansion or addition of vocational rehabilitation programs and services. In 1954, federal funds were made available to states for the development and support of voluntary agencies providing vocational services for the rehabilitation of handicapped individuals. These voluntary agencies, known as rehabilitation facilities, include sheltered workshops and work activity centers.

Two different types of rehabilitation facilities emerged in Minnesota. The primary mission of the first group of facilities was to provide sheltered employment for handicapped individuals, although one facility also trained handicapped persons and placed them in competitive employment. The facilities that offered long-term sheltered employment were called sheltered workshops. By 1954, there were six sheltered workshops. Table 1 lists the sheltered workshops in Minnesota, their locations, and dates of incorporation.

The second type of rehabilitation facility established in Minnesota did not initially offer long-term sheltered employment. Instead, many of the facilities established between 1954 and 1964 offered programs which analyzed the vocational strengths and weaknesses of handicapped persons and designed individual plans to prepare them for competitive employment. These facilities were called vocational centers. Facilities such as Opportunity Workshop and Mankato Rehabilitation Center offered both types of programs--long-term sheltered employment, vocational assessment, and preparation for competitive employment.

In 1965, the Legislature passed the Long-Term Sheltered Work Act which provided state funds for long-term sheltered employment and work activity programs and authorized local governments to support sheltered workshops through general revenues or tax levies. The availability of state funds helped to increase the number of sheltered workshops in Minnesota to 29 by 1973.

Work activity programs were initiated in the late 1960s in order to provide vocational services to severely disabled persons who were unable to meet the demands of sheltered employment. Work activity was originally designed to be a short-term program which prepared severely disabled persons for employment in sheltered workshops. However, when DVR became responsible for work activity programs in 1973, the goal of work activity was redefined as either transitional or long-term.

In the past ten years, there has been little federal money available to establish or construct new sheltered workshops. In 1976, a new sheltered employment program was established in Brainerd. This program places sheltered workers in jobs in industry rather than in a traditional sheltered workshop setting. Appendix A discusses this program and other alternative models that are used for sheltered employment and training for handicapped persons.

TABLE 1

SHELTERED WORKSHOPS IN MINNESOTA

	WORKSHOP NAME	CITY	YEAR OF INCORPORATION[a]
	CENTRAL REGION		
1.	Brighter Day Achievement Center	Mora	1967
2.	Functional Industries	Buffalo	1973
3.	Opportunity Training Center	St. Cloud	1969
4.	West Central Industries	Willmar	1962
	EAST METRO REGION		
5.	Goodwill Industries Twin Cities	St. Paul	1919
6.	Midwest Special Services	St. Paul	1949
7.	Minnesota Diversified Industries	St. Paul	1968
8.	Owobopte Rehabilitation Industries	Lakeville	1972
9.	St. Paul Rehabilitation Center	St. Paul	1951
	NORTH REGION		
10.	C.W.D.C. Industries	Virginia	1966
11.	Goodwill Industries Voc.Enterprises	Duluth	1967
12.	Lake Region Rehab. Industries	Fergus Falls	1959
13.	Occupational Development Center	Thief River Falls	1971
14.	Sheltered Employment Services	Brainerd	1978
	SOUTH REGION		
15.	Ability Building Center	Rochester	1956
16.	Cedar Valley Rehab Workshop	Austin	1960
17.	Interstate Rehabilitation Center	Red Wing	1968
18.	Mankato Rehabilitation Center	Mankato	1953
19.	ORC Industries	Winona	1973
20.	Service Industries	Redwood Falls	1971
21.	The Achievement Center	Worthington	1955
	WEST METRO REGION		
22.	Cerebral Palsy Center	Minneapolis	1948
23.	Courage Center	Golden Valley	1928
24.	Hennepin County Mental Health Center	Minneapolis	1982
25.	Jewish Vocational Workshop	Minneapolis	1910
26.	Opportunity Workshop	Minnetonka	1953
27.	Rise, Inc.	Spring Lake Park	1971
28.	Tasks, Unlimited	Minneapolis	1970
	WORKSHOPS FOR THE BLIND		
1.	Minneapolis Society for the Blind	Minneapolis	1914
2.	Saint Paul Society for the Blind	St. Paul	1955
3.	Duluth Lighthouse	Duluth	1921

[a]Date of incorporation does not always coincide with the date that the agency began to provide sheltered employment programs.

Since the late 1970s, DVR has preferred to extend rehabilitation services through existing workshop agencies. Workshop programs and services were expanded at new program locations called satellites, with funds from federal, state, local, and private sources. Private foundations and individuals provided significant funding for the expansion of workshop buildings and the acquisition of equipment and supplies. Sheltered workshop programs and services are now available at 105 locations in approximately three-fourths of the counties in Minnesota.[3] Appendix B includes maps which show the location of Minnesota's sheltered workshops.

The demand for sheltered employment programs has grown since 1980 because many mentally retarded persons have left state hospitals to live in their own communities. In 1980, the state entered into a consent decree in a case that is now known as Welsch v. Levine.[4] The consent decree required the state to reduce the number of mentally retarded persons living in state hospitals from 2,650 in 1980 to 1,850 by July 1, 1987. The Department of Public Welfare was expected to ensure that appropriate residential services and developmental programs were available in community settings for hospital residents. Some state hospital residents moved directly into sheltered employment programs, while others were placed in developmental achievement programs. To open places in developmental achievement centers, there has been some movement of handicapped persons from developmental achievement centers into sheltered workshops.

B. CLIENTS

1. AGENCY CLIENTS

Handicapped individuals who apply to DVR or the Division of Services for the Blind for rehabilitation services may have one or more disabilities such as mental retardation, mental illness, physical disabilities, visual impairment, hearing impairment, or chemical dependency. State vocational rehabilitation agencies are required under the Rehabilitation Act of 1973 to give priority to serving severely handicapped persons. A severe handicap is defined by federal law as a disability which requires multiple services over an extended period of time and results from specific physical and mental conditions which

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[3] Directory of Rehabilitation Facilities, Workshops and Work Activity Centers, Division of Vocational Rehabilitation, Department of Economic Security, March 1982.

[4] Welsch v. Levine, United States District Court, District of Minnesota, No. 4-72-Civ.451. The case was originally known as Welsch v. Likins. Its name changed to Welsch v. Dirkswager in 1977 and to Welsch v. Noot in 1979 to reflect changes in the administration of the Department of Public Welfare.

cause the disability.[5] In 1983, 55.7 percent of the clients served by DVR were considered to be severely disabled.[6] By comparison, 85.9 percent of the clients served by the Division of Services for the Blind in 1983 were reported to the federal Rehabilitation Services Administration as severely handicapped.[7] The higher proportion of severely disabled clients in the caseload of the Division of Services for the Blind is due in part to the inclusion of blindness among the specific conditions listed in the federal definition of severely disabled.

DVR administrators say that federal classification of individuals as severely handicapped is intended to identify those individuals who require a longer period of time to rehabilitate and case services which involve higher costs. Administrators indicate that there is not always a one to one relationship between a specific disability and the severity of a handicapping condition. The agency has found that those clients who do require more counselor time and agency case service dollars are not always reflected in the number of severely disabled persons reported by the agency.

2. CHARACTERISTICS OF SHELTERED WORKSHOP PROGRAM PARTICIPANTS: 1982

Table 2 shows the primary and secondary disabilities of handicapped individuals in rehabilitation and work programs in sheltered workshops in 1982. This and other information about sheltered workshops was obtained from an extensive survey conducted by the Development Disabilities Planning Section of the State Planning Agency in 1982. The data were also used in our analysis of sheltered workshop costs and client outcomes.

As shown in Table 2, the primary disability of most handicapped persons participating in sheltered workshop programs was mental retardation. Almost two-thirds of the participants were mentally retarded, while about 19 percent were mentally ill. About one-third of the sheltered workers had a secondary disability. Mental retardation and epilepsy were the most common secondary disabilities.

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[5] Conditions specified include:

> Amputation, blindness, cancer, cerebral palsy, cystic fibrosis, deafness, heart disease, hemiplegia, mental retardation, mental illness, multiple sclerosis, muscular dystrophy, neurological disorders including stroke and epilepsy, paraplegia, quadriplegia, and other spinal cord conditions, renal failure, respiratory or pulmonary dysfunction, and any other disability specified by the Secretary in regulations he shall prescribe. 29 U.S.C. §701, Sec. 7(13).

[6] Division of Vocational Rehabilitation, Quarterly Cumulative Caseload/Expenditure Report, 1983.

[7] Division of Services for the Blind and Visually Handicapped, Quarterly Cumulative Caseload/Expenditure Report, 1983.

TABLE 2

DISABILITIES OF SHELTERED WORKSHOP PROGRAM PARTICIPANTS AND OF RECENTLY PLACED SHELTERED WORKERS

SHELTERED WORKSHOP PROGRAM PARTICIPANTS, 1982[a]					DIVISION OF VOCATIONAL REHABILITATION CLIENTS ENTERING SHELTERED EMPLOYMENT IN 1983[b]				
	Primary Disability		Secondary Disability			Primary Disability[c]		Secondary Disability[d]	
Disability	Number	Percent	Number	Percent	Disability	Number	Percent	Number	Percent
Mental Retardation	2,394	61.7%	227	5.8%	Mental Retardation:				
					Mild	114	21.2%	26	4.8%
					Moderate	121	22.4	17	3.2
					Severe	44	8.2	3	.6
Mental Illness	722	18.6	233	6.0	Mental Illness	101	18.7	42	7.8
Orthopedic	345	8.9	255	6.6	Orthopedic	70	13.0	21	3.9
Epilepsy	83	2.1	245	6.3	Epilepsy	37	6.9	16	3.0
Other Disability	114	2.9	132	3.4	Other Disability	33	6.1	35	6.5
Chemical Dependency	50	1.3	52	1.3	Chemical Dependency	10	1.9	12	2.2
Hearing Impairment	47	1.2	69	1.8	Hearing Impairment	9	1.7	12	2.2
Visual Impairment	125	3.2	47	1.2	Visual Impairment	0	0	1	.2
TOTAL	3,890	100.0%	1,310	32.4%	TOTAL	539	100.2%[e]	185	33.8%

[a]Policy Analysis Paper #16, Developmental Disabilities Council, State Planning Agency, April 19, 1983. This survey of sheltered workshops included data from one workshop for the blind.

[b]Division of Vocational Rehabilitation, Rehabilitation Information Management System, 1984.

[c]Based on 539 DVR client cases closed in sheltered work in 1983.

[d]Based on 502 DVR client cases closed in sheltered work in 1983.

[e]Total does not equal 100 percent due to rounding.

Although most workshops serve clients with different disabilities, two specialize in working with mentally ill persons, and one provides services to multihandicapped hearing impaired persons.

Handicapped persons in sheltered workshop programs in 1982 ranged in age from 15 to 79 years old. The youngest were high school students who had been placed in vocational evaluation programs. Most of the participants were between 22 and 50 years of age; nearly one-half were between 22 and 35 years old.

3. CHARACTERISTICS OF DVR CLIENTS ENTERING LONG-TERM SHELTERED EMPLOYMENT IN 1983

Table 2 also shows the primary and secondary disabilities of handicapped persons who have recently entered long-term sheltered employment programs. Mental retardation was the primary disability for almost 52 percent of the workers. Mental illness and orthopedic handicaps such as cerebral palsy were the next largest primary disability groups. Slightly more than one-third of these sheltered workers had a secondary disability. The most common secondary disabilities were mental retardation, mental illness, and other physical disabilities. Mental retardation was a primary or secondary disability for 60.4 percent of the workers. During 1983, 19 former state hospital residents became sheltered workers. About 44 of the persons entering sheltered employment came from developmental achievement centers.

DVR clients entering sheltered workshops in 1983 ranged from 18 to 64 years of age. Approximately 83 percent of these sheltered workers were between the ages of 20 and 49.

Table 3 shows that about 46 percent of the DVR clients placed in long-term sheltered employment in 1983 received some form of public assistance such as supplemental security income for the disabled (SSI), general assistance, medical assistance, or aid to families with dependent children. More than half of these workers received supplemental security income for the disabled. The typical cash benefit was less than $100 per month.

4. DIVISION OF SERVICES FOR THE BLIND: CHARACTERISTICS OF CLIENTS ENTERING SHELTERED WORKSHOPS IN 1983

The primary and secondary disabilities of 22 clients of the Division of Services for the Blind who entered long-term sheltered employment in 1983 are shown in Table 4. The degree of visual impairment varied: 91 percent of the workers were totally blind, 4.5 percent were legally blind, and 4.5 percent were partially sighted. More than one-half of these sheltered workers had secondary disabilities, including physical disabilities, hearing impariment, and mental handicaps. These workers ranged in age from 20 to 65 years of age. About 77 percent were between the ages of 20 and 49.

TABLE 3

DIVISION OF VOCATIONAL REHABILITATION
CLIENTS ENTERING LONG-TERM SHELTERED EMPLOYMENT IN 1983
PUBLIC ASSISTANCE RECEIVED

Public Assistance[a]	Number	Percent
Supplemental Security Income for the disabled (SSI)	136	25.2%
General Assistance only	43	8.0
Aid to Families with Dependent Children (AFDC)	12	2.3
Medical Assistance only	12	2.3
Social Services only	10	1.9
Food Stamps only	7	1.3
Aid to Families with Dependent Children and Supplemental Security Income for the disabled	1	.2
Type unknown	26	4.8
Subtotal	247	46.0%
Not receiving public assistance	292	54.0
TOTAL	539	100.0%

Amount Received Per Month	Number	Percent
No benefit	292	54.0%
Under $100	137	25.4
100-199	28	5.2
200-299	46	8.5
300-399	19	3.5
400-499	7	1.3
500-999	9	1.7
Unknown	1	.4
TOTAL	539	100.0%

Source: DVR Rehabilitation Information Management System, 1984.

[a]Based on 539 DVR client cases closed in sheltered employment in 1983.

TABLE 4

DIVISION OF SERVICES FOR THE BLIND AND VISUALLY HANDICAPPED
DISABILITIES OF CLIENTS ENTERING SHELTERED WORKSHOPS IN 1983

PRIMARY DISABILITY[a]		SECONDARY DISABILITY	
Disability	Number	Disability	Number
Totally blind	20	Other physical disability	7
Legally blind	1	Hearing impairment	2
Partially sighted	1	Mental retardation:	
	22	Moderate	1
		Severe	1
		Orthopedic	1
		Mental Illness	1
			13

Source: Division of Services for the Blind and Visually Handicapped, Management Information System, 1984.

[a]Definitions of visual impairment:

Legally blind individuals can see with their better eye (using the best possible correction) no more at a distance of 20 feet than a person with normal vision can see at a distance of 200 feet, or can only see objects within a 20 degree arc instead of above, below, ahead, and to the sides of the line of sight.

Legally blind persons who have no light perception are considered totally blind.

Partially sighted persons have a lesser degree of impairment but are functionally blind.

Table 5 shows the number of visually impaired sheltered workers who received some form of public assistance. Most of these sheltered workers received supplemental security income for the blind (SSI). The amount of public assistance received by each worker ranged from $27 to $419 per month.

TABLE 5

DIVISION OF SERVICES FOR THE BLIND AND VISUALLY HANDICAPPED
CLIENTS ENTERING SHELTERED WORKSHOPS IN 1983
PUBLIC ASSISTANCE RECEIVED

Public Assistance	Number
Supplemental Security Income for the blind (SSI)	5
Supplemental Security Income for the disabled (SSI)	1
Subtotal	6
Not receiving public assistance	16
TOTAL	22

Source: Division of Services for the Blind and Visually Handicapped, Management Information System, 1984.

C. PROGRAMS AND SERVICES

1. REHABILITATION PROCESS

Many handicapped individuals are referred to DVR and the Division of Services for the Blind by various public and private organizations such as educational institutions, rehabilitation facilities, physicians, and the Department of Public Welfare. In addition, all recipients of social security disability benefits are referred to DVR for rehabilitation services by its Disability Determination Unit.[8] The Division of Services for the Blind provides vocational rehabilitation services to individuals who are legally blind or partially sighted.

Handicapped individuals may apply for vocational rehabilitation services through rehabilitation counselors located across Minnesota in the field offices of DVR and the Division of Services for the Blind. Appendix B contains maps of each agency's service areas. Using medical and other information, an agency counselor determines

[8]Appendix B contains organizational charts for the Division of Vocational Rehabilitation and the Division of Services for the Blind and Visually Handicapped.

whether an applicant is eligible for services. Eligibility is based on the presence of a physical or mental disability that results in a substantial handicap to employment, and an expectation that vocational rehabilitation services will benefit the individual in terms of employability.[9] Both DVR and the Division of Services for the Blind apply the same eligibility criteria. In some cases, an extended evaluation of an individual's rehabilitation potential is needed before eligibility can be determined. A counselor may place an applicant in a rehabilitation facility program during an extended evaluation. An individual may receive services in extended evaluation for a maximum of 18 months.[10]

Once accepted as eligible for services, an individual becomes a client of the agency. A rehabilitation counselor works with the client to develop a rehabilitation plan which specifies the services the agency will provide and the vocational and intermediate goals to be achieved. The client's vocational goal is usually employment. Examples of intermediate goals are completion of a college training program, assistance in obtaining a license in a particular occupation, or preparation for employment in a sheltered workshop. The rehabilitation counselor is responsible for assisting the client throughout the rehabilitation process by providing or purchasing the appropriate services and ultimately obtaining employment for the client. The counselor may also provide postemployment services such as counseling or equipment needed to maintain employment.

2. REHABILITATION SERVICES

Vocational rehabilitation services provided to clients of DVR and the Division of Services for the Blind are tailored to each client's individual needs and may include:

- Evaluation of rehabilitation potential, including diagnostic and related services;
- Counseling, guidance, and referral services;
- Physical and mental restoration, such as medical or corrective surgery; hospitalization; artificial limbs and other orthotic aids; and physical and occupational therapy;
- Personal and work adjustment training;
- Maintenance and transportation during the period of rehabilitation;
- Specialized services for hearing impaired and visually impaired persons, such as interpreters and orientation and mobility training;

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[9] 29 U.S.C. §701, Sec. 7(7)(A,B).

[10] DVR, Policy Administration Manual, Field Office Procedures, Counselor's Manual, Section 1509.041.

- Placement; and
- Post-employment services to maintain client employment.[11]

Figure 1 illustrates the relationships between the steps in the vocational rehabilitation process and the continuum of services offered by sheltered workshops and other rehabilitation facilities. Clients progress in the order indicated, going through the appropriate steps from eligibility determination to job placement and follow-up. During this process an agency rehabilitation counselor may purchase services needed for the client from sheltered workshops and other rehabilitation vendors.

Table 6 shows the services offered by sheltered workshops in Minnesota and the size of their long-term sheltered employment program. Most sheltered workshops provide vocational evaluation and work adjustment training in addition to sheltered work, work activity, and work component programs.

Work activity and sheltered work programs generally take place within a sheltered workshop. Some workshops place sheltered workers at work sites in community businesses. Work component programs are the same as work activity programs except that they take place in a developmental achievement center (DAC). Developmental achievement centers provide their clients with training in the development of appropriate personal and vocational behaviors and contract with sheltered workshops for the work portion of their program. DACs may also contract with other vendors to provide the work for their clients, and some DACs have developed their own work contracts with community businesses.

Figure 2 defines workshop programs and services, and indicates the length of program placement, the worker productivity level required for placement in the program, and the wages paid to sheltered workers during participation in the program.

Clients referred to sheltered workshops are first screened by vocational evaluators, counselors, or an intake committee. The purpose of the screening is to answer questions raised by the client, the client's parents, or the referring agency counselor by determining such things as the client's motivation, and the services required to meet the client's vocational goal. During this period, some workshops provide an orientation to the facility for the client and his family. The result of the screening process may be a written report which includes a tentative vocational plan for the client and recommendations regarding the client's skills, work potential, and level of employability.

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[11] 29 U.S.C. §701, Sec. 103(A,B).

FIGURE 1

REHABILITATION PROCESS AND WORKSHOP SERVICES

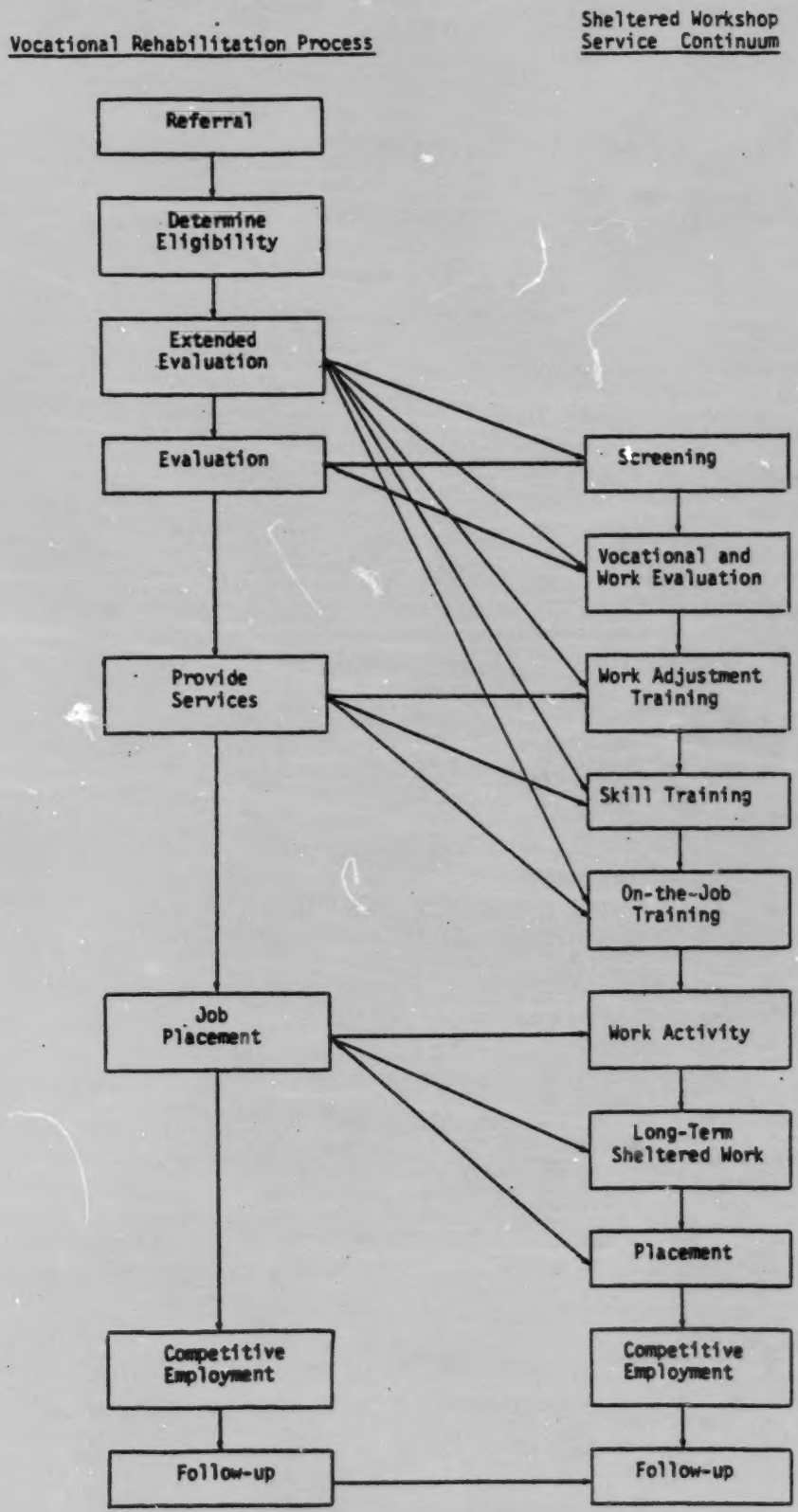

TABLE 6

REHABILITATION AND EMPLOYMENT PROGRAMS AT MINNESOTA SHELTERED WORKSHOPS

	Vocational Evaluation	Work Adjustment Training	Skill Training	On the Job Training	Approved Stations[a] Work Activity	Work Component	Sheltered Work
CENTRAL REGION							
Brighter Day Achievement Center		X			48	70	5
Functional Industries		X		X	41	69	41
Opportunity Training Center	X	X			27	150	79
West Central Industries	X	X			0	100	102
EAST METRO REGION							
Goodwill Industries Twin Cities	X	X			85	0	106
Midwest Special Services	X	X			14	0	114
Minnesota Diversified Industries		X	X		45	0	244
Owobopte Rehab. Industries	X	X	X		12	30	72
St. Paul Rehab. Center	X	X	X		0	0	60
NORTH REGION							
C.W.D.C. Industries	X	X		X	46	125	106
Goodwill Industries Voc. Enterprises	X	X	X	X	57	76	168
Lake Region Rehab. Industries	X	X			29	165	74
Occupational Development Center	X	X		X	17	68	107
Sheltered Employment Services				X	0	0	78
SOUTH REGION							
Ability Building Center	X	X	X		53	46	127
Cedar Valley Rehab Workshop	X	X			0	85	263
Interstate Rehabilitation Center	X	X			20	46	85
Mankato Rehab Center	X	X	X		154	235	295
ORC Industries	X	X		X	18	25	53
Service Industries	X	X			22	0	35
The Achievement Center		X		X	0	95	38
WEST METRO REGION							
Cerebral Palsy Center	X	X	X		90	0	175
Courage Center	X			X	0	0	280
Hennepin County Mental Health Center					45	0	0
Jewish Vocational Workshop	X	X			0	0	37
Opportunity Workshop	X	X	X		247	0	150
Rise, Inc.	X	X	X		37	32	97
Tasks, Unlimited	X	X		X	0	0	17
TOTAL					1,107	1,417	3,008
WORKSHOPS FOR THE BLIND							
Minneapolis Society for the Blind	X	X	X	X			X
Saint Paul Society for the Blind	X	X	X				X
Duluth Lighthouse	X	X		X	X		X

Sources: Directory of Rehabilitation Facilities, Workshops, and Work Activity Programs, Department of Economic Security, Division of Vocational Rehabilitation, March 1982.

DVR Policy Administration Manual, Facility Operating Agreements.

Division of Services for the Blind and Visually Handicapped, Facility Operating Agreements.

[a]Work stations approved for 1984 including new Welsch-Levine and waiting list stations for 1982 and 1983. New stations approved for 1984 are not included. DVR's allocation of new work stations approved for 1984 is analyzed in Chapter III. We do not have information about the number of stations in sheltered workshops which serve visually impaired persons.

FIGURE 2

SHELTERED WORKSHOP PROGRAMS:
DEFINITION, LENGTH OF PLACEMENT, PRODUCTIVITY, AND WAGES

PROGRAM	DEFINITION	LENGTH OF PLACEMENT	WORKER PRODUCTIVITY REQUIRED[4]	WAGES[4]
VOCATIONAL EVALUATION	A systematic and organized process employing 1) validated work sample techniques, or 2) varied subcontract work which has been related to job families and validated to industrial norms. The above methods are used, in conjunction with psychological tests, to determine employability factors: skills, aptitudes, dexterities, personality factors and physical tolerance.[1]	Transitional.	Not specified.	Wages paid are based on productivity; typically 50 percent or less of the applicable minimum wage.
WORK ADJUSTMENT TRAINING	A program of services designed to modify vocational and personal behavior based on identified individual potential and deficits. The program utilizes a work setting supplemented by supervision and counseling. The areas covered in a work adjustment training program are: developing work habits, developing physical capacity and endurance, developing appropriate attitudes, and orientation to the job market.[1]	Transitional.	Not specified.	Wages paid are based on productivity; typically 50 percent or less of the applicable minimum wage.
WORK ACTIVITY	A program which utilizes manufacturing activities and other production work for the primary purpose of providing basic vocational skills development for the handicapped.[2]	Transitional or long-term.	Rate of productivity less than that required in sheltered work; at or below 25 percent of the competitive rate. Productive capacity considered to be inconsequential.	Wages paid are based on productivity and are less than 25 percent of the applicable minimum wage.
WORK COMPONENT	A work activity program which takes place in a developmental achievement center (DAC) licensed as such by the Department of Public Welfare.[3]	Transitional or long-term.	Same as Work Activity.	Wages paid are based on productivity and are less than 25 percent of the applicable minimum wage.
SHELTERED WORK	Employment which is 1) a step in the rehabilitation process for those who cannot be readily absorbed in the competitive labor market, or 2) during such time as employment opportunities for them in the competitive labor market do not exist.[2]	Transitional or long-term.	At least 25 percent of competitive production rate.	Wages paid are based on productivity and are in excess of 25 percent of the applicable minimum wage.

[1] Division of Vocational Rehabilitation Long-Term Sheltered Work/Work Activity Certification Standards Manual, November 1979.

[2] Minn. Stat. § 129A.01.

[3] Cooperative Agreement between the Department of Economic Security, Division of Vocational Rehabilitation, and the Department of Public Welfare.

[4] 29 U.S.C. §§ 201-219.

Vocational evaluation and work adjustment training are transitional programs which assess an individual's potential for work and provide training in work related behaviors. A vocational evaluator uses standardized work samples and psychological tests to assess the client's potential for employment. The client may be placed at a job in the workshop or at a site in the community during vocational evaluation. This assessment may last for up to four weeks and results in a staff and client conference to review the client's vocational goals, recommendations for goal achievement, and a vocational plan. The vocational evaluation may indicate that a client is capable of competitive employment. In this situation, the client could be referred directly to the workshop's job placement staff.

The evaluator may recommend placement in work adjustment training in order to build up the client's physical capacity or endurance for work or to train the client in work related behaviors. Work adjustment training may only be one step on the way to the achievement of the client's vocational goal. The client's ultimate goal may be competitive employment.

Work adjustment training programs use production work and training in work-related behaviors to develop the client's optimal functioning based on the recommendations developed during vocational evaluation. A client may participate in production work within the workshop or at a job site in the community. The program may also include classes for the development of work related behaviors such as appropriate attitudes and work habits, physical endurance, and orientation to the job market. Work adjustment training is a transitional program that typically lasts for 10 to 20 weeks. The state rehabilitation agencies will pay for work adjustment training for a maximum of 12 months. Progress toward the achievement of vocational goals is reviewed monthly, or more often if needed. The client's work plan is revised on the basis of these reviews. Client progress is reported to the referring counselor. After completion of work adjustment training, the client may be placed in employment within the workshop or in a competitive setting.

Sheltered work, work activity, and work component programs may be either transitional or long-term placements for clients. A client may progress from work activity or sheltered work to placement in a competitive job. Or, a client may remain in work activity or sheltered work for an indefinite period of time. Placement in these programs is determined by the client's work productivity. Sheltered workers must work at a minimum of 25 percent of the competitive production rate and earn wages of at least 25 percent of the applicable minimum wage.

Work activity programs use production work and manufacturing activities to develop the vocational skills of clients. The productive capacity of these clients is considered to be inconsequential. Work activity participants work at or below 25 percent of the competitive production rate and earn less than 25 percent of the applicable minimum wage. By federal law, work activity programs

must be conducted in a space which is separate from other workshop production activities.[12]

Other workshop programs include prevocational services, skill training, and placement. Prevocational services are designed to improve a client's work habits such as reporting on time, regular attendance, and calling in when ill. Skill training prepares a client for entry into an occupation through the development of technical proficiency and acceptable work behavior. Some sheltered workshops offer skill training programs for jobs in food service, health care, janitorial work, sales, and micrographics. Some workshops provide placement services to sheltered work and work activity participants without charging them. DVR and the Division of Services for the Blind also purchase placement services from sheltered workshops for clients who have not participated in work adjustment training or sheltered work but are seeking jobs in a competitive employment setting.

A client of DVR or the Division of Services for the Blind continues on the agency caseload until the individual's vocational goal has been achieved. After a client has been employed for at least sixty days, the agency may close the client's case as rehabilitated. Sheltered employment, competitive employment, and unpaid family work are all considered successful client outcomes. If the client does not achieve the vocational goal, the agency closes the client's case as not rehabilitated. Chapter II discusses some client outcomes including placement into competitive employment, wages, benefits, and hours of work.

DVR administrators say that the case of a client placed in work activity, sheltered work or competitive employment may remain open for nine months or more at the discretion of the client's counselor who determines the need for additional services. The Division of Services for the Blind also maintains client cases as active more than sixty days after placement in employment if the counselor believes there is a need for additional support services.

D. FUNDING VOCATIONAL REHABILITATION SERVICES

Vocational rehabilitation services in Minnesota are supported by both federal and state funds. Federal funds available to the state for vocational rehabilitation services are divided between DVR and the Division of Services for the Blind. DVR receives 82 percent of these federal funds and the Division of Services for the Blind receives the remaining 18 percent. State funds are provided through a direct general appropriation.

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[12] 29 C.F.R. §525.2.

Table 7 shows the entire agency budgets for DVR and the Division of Services for the Blind and their respective funding sources for the last ten years. The largest increase in state funds provided to DVR occurred between 1980 and 1981. Federal support for the Division of Services for the Blind has fluctuated, while state funding increased in all years except 1979 and 1980.

DVR distributes state subsidies for sheltered work, work activity, and work component programs. Until 1979, the subsidies included federal Title XX funds. Table 8 shows the relationship between the subsidy and the number of work stations funded over the last ten years. Between 1970 and 1980, the number of subsidized long-term sheltered employment stations increased from 700 to 4,274. By 1984, there were 5,732 stations. The method used by DVR to determine the number of work stations and distribute state funds to sheltered workshops and work activity centers is analyzed in Chapter III.

DVR also distributes grants to sheltered workshops. Grants are federal funds which require a 20 percent match by the grantee. DVR purchases services for clients from sheltered workshops at rates which are established in operating agreements. Case service funds are federal funds which require a 20 percent match by the state. DVR spends about 39 percent of its purchased service funds at sheltered workshops. Table 9 shows the total amount of long-term sheltered employment, grant, and case service funds distributed by DVR to sheltered workshops from 1981 through 1983. This amount reached more than $9.5 million in 1983. According to administrators at the Division of Services for the Blind, the agency spends about one-half of purchased service funds at sheltered workshops. The Division of Services for the Blind purchases some client services from workshops other than those which primarily serve visually impaired persons.

Service fees for programs and services provided by sheltered workshops which serve the visually impaired are established in operating agreements with the Division of Services for the Blind. Sheltered workshops submit requested fee levels, proposed numbers of clients to be served, and budgets for the coming year. The Division of Services for the Blind adjusts the budget and guarantees the actual number of clients who will be referred to the workshop for each program or service at a specified fee level. If a workshop discovers that its actual program costs during the year are greater than budgeted, the Division of Services for the Blind adjusts the fees in the operating agreement to cover the projected deficit or loss. Table 10 shows the amount of case service funds and grants spent by the Division of Services for the Blind for services at sheltered workshops which serve visually impaired persons.

TABLE 7

DIVISION OF VOCATIONAL REHABILITATION AND DIVISION OF SERVICES FOR THE BLIND
EXPENDITURES AND FUNDING SOURCE
1975-1985

Year	Division of Vocational Rehabilitation			Division of Services for the Blind				Total Expenditures
	State	Federal	Total	State	Federal	Other	Total	
1975	$ 2,000,679	$16,225,326	$18,296,168	$ 580,695	$2,700,546	$199,846	$3,481,087	$ 21,777,255
1976	3,082,847	14,664,124	17,746,971	896,762	2,733,202	484,116	4,114,080	21,861,051
1977	3,729,400	16,526,000	20,257,100	2,262,700	1,241,900	218,700	3,723,300	23,980,400
1978	4,834,000	16,895,100	21,740,700	2,599,400	1,522,100	238,400	4,359,900	26,100,600
1979	5,771,200	16,786,300	22,557,500	2,598,400	1,218,400	226,500	4,043,300	26,600,800
1980	8,276,900	16,886,400	25,163,300	1,744,500	3,194,900	272,800	5,212,200	30,375,500
1981	11,617,600	17,216,800	28,834,400	1,883,700	2,729,000	290,600	4,903,300	33,737,700
1982	11,201,400	19,350,500	30,551,900	2,236,800	3,630,600	214,500	6,081,900	36,633,800
1983[a]	12,359,300	22,179,700	34,539,000	2,532,600	2,879,700	253,500	5,665,800	40,204,800
1984[b]	15,063,100	23,202,100	38,265,200	2,566,800	2,901,000	429,200	5,737,400	44,002,600
1985[b]	16,428,300	23,814,500	40,242,800	2,586,700	2,918,100	429,200	5,791,000	46,033,800

Sources: DVR, Biennial Budgets 1975-1985.
Division of Services for the Blind and Visually Handicapped, Biennial Budgets 1975-1985.

[a]Estimated.

[b]Appropriated.

TABLE 8

LONG-TERM SHELTERED EMPLOYMENT SUBSIDIES AND STATIONS
1975-1985

State Fiscal Year	Long-Term Sheltered Employment Subsidies	Long-Term Sheltered Employment Stations
1975	$1,880,672	N/A
1976	2,256,253	3,100
1977	2,744,400	3,400
1978	3,512,500	3,800
1979	4,361,900	3,652
1980	4,968,700	4,274
1981	5,802,800	4,274
1982	6,360,500	4,674
1983[a]	6,787,100	4,674
1984[b]	7,319,700	5,732[c]
1985[b]	8,116,900	6,032[d]

Source: DVR Biennial Budgets, 1975 - 1985.

[a]Estimated.

[b]Appropriated.

[c]Includes 200 new Welsch-Levine and waiting list stations allocated through 12/31/83.

[d]Includes 300 new Welsch-Levine and waiting list stations funded by the Legislature for 1985.

TABLE 9

DIVISION OF VOCATIONAL REHABILITATION
SHELTERED WORKSHOP FUNDING: 1981 - 1983

Federal Fiscal Year	Long-Term Sheltered Work	Grants	Case Service Funds	Total
1981	$5,687,562 (state)	$186,259 (federal)	$3,113,953 State: $ 778,488[a] Federal: $2,335,465	$8,987,774
1982	$6,444,710 (state)	-0-	$2,375,838 State: $ 665,235 Federal: $1,710,603	$8,820,548
1983	$6,802,962 (state)	$197,260 (federal)	$2,503,820 State: $ 625,955 Federal: $1,877,865	$9,504,042

Source: DVR Rehabilitation Information Management System, 1984.

[a]The actual state match for federal case service funds has varied over the last three years: 1981 - 25 percent; 1982 - 28 percent; and 1983 - 25 percent.

TABLE 10

DIVISION OF SERVICES FOR THE BLIND AND VISUALLY HANDICAPPED
SHELTERED WORKSHOPS FOR THE BLIND
CASE SERVICE FUNDS 1983

	Case Service Funds[a]
Minneapolis Society for the Blind	$309,917
St. Paul Society for the Blind	55,603
Duluth Lighthouse for the Blind	226,402
TOTAL	$591,922
	(state: $207,173)
	(federal: $384,749)

Source: Division of Services for the Blind and Visually Handicapped, Management Information System, 1984.

[a]State match is 35 percent.

E. REVENUES AND EXPENSES OF REHABILITATION FACILITIES

1. REVENUES

In 1983, sheltered workshops reported revenues of $46.3 million. In this section, we discuss revenues and expenditures for the entire workshop agency, and not just for those activities designated as sheltered work, work activity, or work component. Note that for a few workshop agencies, such as Courage Center, sheltered employment is a small part of their total program and budget. As shown in Table 11 and Figure 3, sheltered workshops receive funds from several different sources. The Minnesota Division of Vocational Rehabilitation provides financial support in two important ways. First, DVR distributes the state subsidy for sheltered work, work activity, and work component programs. In 1983, state Long-Term Sheltered Employment (LTSE) funds provided an average of 14.4 percent of the total revenue for workshops. For workshops with other large programs, this subsidy is only a small part of their total revenues. In 1983, four workshops received less than ten percent of their revenues from the state subsidy. Some facilities relied more heavily on the state subsidy, including three who received more than one-fourth of their total revenue from that source.

TABLE 11

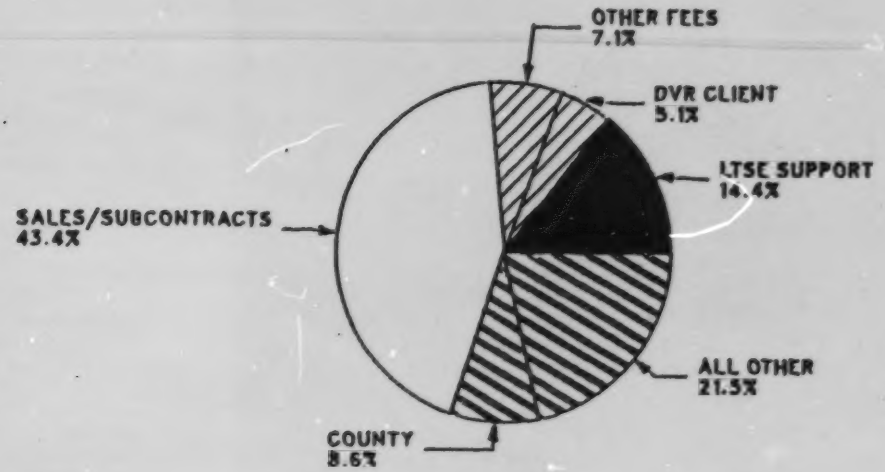
SHELTERED WORKSHOPS
1983 SOURCES OF REVENUE

WORKSHOP NAME	TOTAL INCOME	LTSE SUPPORT	DVR CLIENT	OTHER FEES	SALES SUB-CONTRACTS	COUNTY	ALL OTHER[a]
CENTRAL REGION							
Brighter Day Achievement Center	$ 420,835	28.7%	0.3%	0.0%	15.1%	49.6%	6.2%
Functional Industries	522,288	24.1	8.7	5.6	49.2	9.0	3.5
Opportunity Training Center	934,319	17.4	13.7	5.3	53.1	4.9	5.7
West Central Industries	1,177,844	21.5	13.1	5.7	49.5	5.0	5.3
EAST METRO REGION							
Goodwill Industries Twin Cities	3,517,919	7.0	4.6		78.4	3.6	6.4
Midwest Special Services	770,367	23.2	2.7	7.6	51.6	0.0	14.9
Minnesota Diversified Industries	3,601,965	12.7	0.2		83.1	3.5	0.6
Owobopte Rehab Industries	571,915	21.3	13.9	1.7	40.2	19.2	3.7
St. Paul Rehab Center	2,140,105	4.7	0.8	41.6	14.9	0.0	23.0
NORTH REGION							
C.W.O.C. Industries	1,479,135	18.2	3.2	2.0	61.0	9.4	6.3
Goodwill Industries Voc. Enterprises	1,860,740	25.8	3.3	0.6	55.6	6.3	8.5
Lake Region Rehab Industries	766,591	22.7	13.9	0.8	47.6	9.9	5.1
Occupational Development Center	1,165,445	18.9	11.7	15.8	46.2	0.2	7.2
Sheltered Employment Services	113,765	65.1	4.4	25.9	0.8	0.0	3.8
SOUTH REGION							
Ability Building Center	1,974,023	19.4	5.3	1.5	61.5	4.0	8.4
Cedar Valley Rehab Workshop	2,162,756	17.1	3.2	1.2	63.4	5.8	9.3
Interstate Rehabilitation Center	837,499	23.9	5.1	1.0	50.9	7.3	11.8
Mankato Rehab Center	3,209,190	22.8	9.5	3.2	36.9	18.5	9.1
ORC Industries	544,919	17.2	7.7	0.6	52.8	8.9	12.8
Service Industries	397,284	24.9	10.6		47.8	11.5	5.2
The Achievement Center	368,399	23.1	2.2		42.0	17.3	15.4
WEST METRO REGION							
Cerebral Palsy Center	2,705,019	17.7	0.0		59.2	15.1	8.0
Courage Center	7,251,300	1.1	0.8		4.1	0.0	94.0
Hennepin County Mental Health Center	374,158	13.8	0.0		4.8	59.7	21.7
Jewish Vocational Workshop	296,007	19.9	31.5		48.6	0.0	0.1
Opportunity Workshop	4,737,455	17.3	4.0	29.7	24.6	17.5	6.8
Rise, Inc.	1,242,210	15.1	9.3	11.7	30.3	15.3	18.3
Tasks, Unlimited	1,245,582	3.3	1.4	14.9	54.6	0.0	3.6
TOTAL	$46,389,034						
STATEWIDE AVERAGES		14.4%	5.1%	7.1%	43.5%	8.6%	21.6%
WORKSHOPS FOR THE BLIND							
Minneapolis Society for the Blind	$ 3,209,370			13.8%	53.4%		32.8%
Saint Paul Society for the Blind	808,669			7.4	68.8		23.9
Duluth Lighthouse	515,876			25.1	42.5		32.4

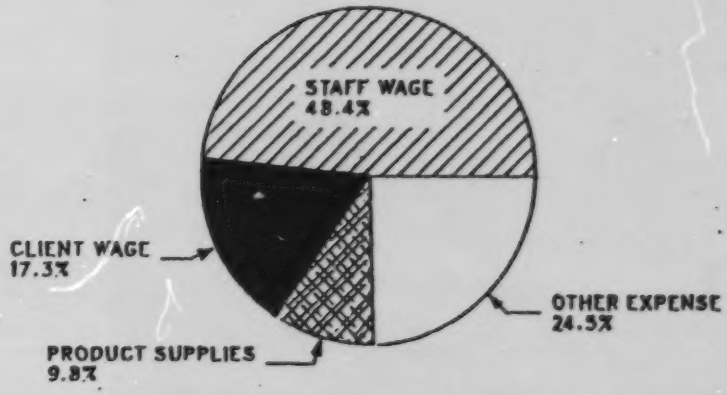
SOURCES: 1983 DVR Facility Fiscal Data reports.
Data for workshops for the blind are from 1982 audited financial statements. For Duluth Lighthouse, data are for January-June 1982.

[a]All Other includes United Way, grants, bequests, and fundraising.

FIGURE 3
SHELTERED WORKSHOPS: 1983 REVENUES AND EXPENDITURES



REVENUES
$46,389,034



EXPENDITURES
$47,841,056

Second, DVR provides funds to workshops by purchasing vocational evaluation and work adjustment training services for DVR clients. This money comes from a joint federal-state client services fund. DVR also purchases clinical therapies and job placement services from some workshops. On average, sheltered workshops received 5.1 percent of their 1983 revenues from the purchase of these services. Again, the range is quite wide, with seven workshops receiving less than two percent of their revenues for DVR client services, and seven receiving more than ten percent.

Sales and subcontract income are usually the largest sources of workshop revenue. Many workshops manufacture proprietary items or sell products or services directly to the public. Workshops also subcontract with manufacturers to produce component parts and to perform packaging and assembly tasks. In 1983, workshops earned an average of 43.5 percent of their revenues from these two activities. Some workshops participate in small business set-aside procurement programs sponsored by the federal government.

County agencies support sheltered workshops through program funding and by purchasing client services. Workshops also receive money from local fund raising and United Way grants.

The three sheltered workshops for visually impaired clients do not receive any of the state long-term sheltered employment subsidies distributed by DVR. They do receive funds from the Division of Services for the Blind for client services including vocational evaluation, work adjustment, and training in compensatory skills for blind persons, such as braille and orientation and mobility. For two of the three workshops, client service fees are less than 14 percent of total revenues. The third workshop, the Duluth Lighthouse for the Blind, was more reliant on these service fees, and received about one-fourth of its revenues in client service fees during the first six months of 1982. For the past two years, the Division of Services for the Blind has paid the Duluth Lighthouse fees which covered 90 percent of direct service costs. The other workshops for the blind received fees covering 80 percent of direct costs.

Workshops for the blind earned significant revenues from sales of proprietary products and from subcontract income. In 1982, the Saint Paul Society for the Blind earned two-thirds of its revenues from sales. The Duluth Lighthouse earned 42.5 percent of its revenues from sales. Workshops serving the blind throughout the United States are eligible to participate in a federal procurement program in which they receive a perference for their bids. This enables them to capture a large volume of contract activity and to earn higher sales revenues.

These three workshops also receive large portions of their income from local United Way agencies and through direct fund raising from individuals, corporations, and foundations. For example, the Minneapolis Society for the Blind receives almost one-third of its revenue from United Way and private contributors.

2. EXPENDITURES

Table 12 and Figure 3 show that personnel costs, including wages, benefits, and payroll taxes, account for about 66 percent of the 1983 expenditures of sheltered workshops. About 48 percent of total budgets was for wages and benefits for workshop staff and non-handicapped workers employed by some workshops. Sheltered workers and clients received about 17 percent of total workshop expenditures.

Sheltered workshops spent an average of ten percent of budget on production supplies. Some facilities, such as Minnesota Diversified Industries and Occupational Development Center, spent significantly larger portions of their budgets on production supplies, which is reflected in the higher proportion of their revenues received from sales and subcontracts.

TABLE 12

SHELTERED WORKSHOPS: 1983 EXPENDITURES

WORKSHOP NAME	TOTAL COST	STAFF WAGES	WORKER WAGES	PRODUCT SUPPLIES	OTHER EXPENSE[a]	PERSONNEL COSTS
CENTRAL REGION						
Brighter Day Achievement Center	$ 401,677	62.7%	9.1%	0.3%	27.9%	71.8%
Functional Industries	539,975	50.0	24.5	0.8	24.6	74.5
Opportunity Training Center	897,934	42.7	27.4	13.9	15.9	70.1
West Central Industries	1,161,248	44.9	19.0	14.3	21.7	63.9
EAST METRO REGION						
Goodwill Industries Twin Cities	4,370,870	50.0	12.4	9.1	28.6	62.4
Midwest Special Services	764,590	43.9	34.5	2.2	19.3	78.4
Minnesota Diversified Industries	3,596,910	32.0	19.3	33.4	15.3	51.3
Owobopte Rehab Industries	625,920	43.7	26.2	1.7	28.4	69.9
St. Paul Rehab Center	2,079,985	62.9	11.8	3.0	22.2	74.8
NORTH REGION						
C.W.D.C. Industries	1,431,783	44.9	21.7	16.3	17.1	66.6
Goodwill Industries Voc. Enterprises	2,025,098	46.8	20.5	9.1	23.5	67.4
Lake Region Rehab Industries	752,861	35.7	20.7	21.6	22.0	56.5
Occupational Development Center	1,121,087	33.3	17.7	28.1	20.9	51.0
Sheltered Employment Services	109,500	68.1	0.7	0.0	31.2	68.8
SOUTH REGION						
Ability Building Center	2,050,490	39.0	24.6	18.4	18.0	63.6
Cedar Valley Rehab Workshop	2,117,352	28.9	37.6	16.8	16.7	66.5
Interstate Rehabilitation Center	844,497	42.6	23.6	11.9	22.0	66.1
Mankato Rehab Center	3,177,050	52.5	21.7	1.5	24.3	74.2
ORC Industries	561,518	38.7	28.3	11.1	21.9	67.0
Service Industries	390,681	43.9	23.4	12.9	19.8	67.3
The Achievement Center	309,497	28.4	33.2	21.6	16.8	61.6
WEST METRO REGION						
Cerebral Palsy Center	2,629,046	38.4	31.9	11.2	18.4	70.4
Courage Center	7,686,300	67.8	0.0	0.0	32.2	67.8
Hennepin County Mental Health Center	374,158	67.0	17.5	1.7	13.7	84.5
Jewish Vocational Workshop	257,092	35.4	33.2	4.7	26.6	68.6
Opportunity Workshop	4,933,846	52.6	10.9	4.7	31.8	63.5
Rise, Inc.	1,208,350	44.4	20.9	7.1	27.6	65.2
Tasks, Unlimited	1,422,741	40.2	24.0	7.4	28.4	64.2
TOTAL	$47,841,056					
STATEWIDE AVERAGES		48.4%	17.3%	9.8%	24.5%	65.8%
WORKSHOPS FOR THE BLIND						
Minneapolis Society for the Blind	$ 3,187,543			44.8%	19.3%	36.0%
Saint Paul Society for the Blind	856,846			5.0	22.8	72.1
Duluth Lighthouse	450,725			31.8	20.9	47.3

SOURCES: 1983 DVR Facility Fiscal data reports. Wage categories include payroll taxes and benefits.
Data for workshops for the blind are from 1982 audited financial statements, which do not separate client and staff wages.
Data for Duluth Lighthouse are for January-June 1982.

[a]Other includes occupancy, telephone, professional fees, transportation, depreciation, and the like.

II. CLIENT OUTCOMES

The Minnesota Division of Vocational Rehabilitation uses sheltered workshops to provide rehabilitation services and long-term employment for handicapped persons. To analyze the effectiveness of these programs, we examined some outcomes for persons that DVR refers to sheltered workshops. We asked:

- How do the Minnesota Division of Vocational Rehabilitation and the Division of Services for the Blind compare with agencies in other states in placing handicapped persons in sheltered work?
- How often do sheltered workers move into more competitive employment? What do sheltered workers earn?
- What proportion of DVR clients receive rehabilitation services and then become sheltered workers or are not successfully rehabilitated?

A. COMPARISONS WITH OTHER STATE REHABILITATION AGENCIES

DVR screens individuals before accepting them for rehabilitation services. The agency does not accept about 30 percent of initial applicants because they do not meet eligibility criteria or because DVR thinks they will not benefit from rehabilitation services. As we described in Chapter I, applicants who are accepted by DVR may receive rehabilitation services from a number of vendors. After receiving services, a handicapped client's case may be closed by the agency in several ways. If the client finds employment, the agency considers him successfully rehabilitated. If the client cannot find or hold a job, the agency may terminate services and close that person's case as unsuccessfully rehabilitated.

Even though it screens out many clients, DVR was unable to successfully rehabilitate about 42 percent of the individuals whose cases were closed by the agency in 1983. DVR's rate of unsuccessful rehabilitations is higher than the national average for state rehabilitation agencies--34.3 percent. Agency administrators say that this is partly because Minnesota tries to serve more people who are severely disabled than other states.

Rehabilitation agencies regard a client as successfully rehabilitated if the person becomes competitively employed, a sheltered worker, or an unpaid family worker, such as a homemaker. The proportion of DVR clients closed as sheltered workers has grown since 1979. That year, 9.2 percent of the clients whose cases were closed as successfully rehabilitated entered sheltered work. That proportion rose to 15.6 percent in 1982 and then dropped to 12.4 percent in 1983. The federal Rehabilitation Services Administration standard established in 1979 was that only 9 percent of successfully

rehabilitated clients should become sheltered workers. Although these standards are not binding on state agencies, Minnesota's rate of sheltered placement is higher than the national standard.

As the proportion of clients entering sheltered work grew, the proportion of DVR's successfully rehabilitated clients who became competitively employed decreased. That rate went from 87.8 percent in 1979 to 84.2 percent in 1983.

Many clients of the Division of Services for the Blind are senior citizens who develop visual impairments late in life. Partly as a result of their age, about 70 percent of the clients successfully rehabilitated by that agency become homemakers or unpaid family workers. Only about four percent of those clients successfully rehabilitated by the Division of Services for the Blind become sheltered workers. About one quarter of successfully rehabilitated clients become competitively employed.

B. CLIENT OUTCOMES

1. MOVEMENT TO COMPETITIVE EMPLOYMENT

One purpose of sheltered work is to provide handicapped persons with a transitional experience that may prepare them for competitive employment. However, few sheltered workers leave workshops and take competitive jobs. Nationally, the rate of movement is very low. Studies by the U.S. Department of Labor and others in the late 1970s showed that about 10 to 15 percent of sheltered workers move into competitive employment each year. These studies also show that most of these workers were placed in competitive work during their first year in the workshop. The annual rate of placement for workers who had been in workshops for more than two years was only three percent.

In Minnesota the rate of movement from sheltered employment into competitive employment is lower than the national average. Furthermore, it has declined in the last four years. Table 13 shows the figures DVR has reported of sheltered workers moving out of sheltered work programs which the agency oversees into competitive employment.

TABLE 13

COMPETITIVE EMPLOYMENT PLACEMENTS FROM SHELTERED EMPLOYMENT

Year	Competitive Placements	Rate
1980	177	7.5%
1981	125	5.0
1982	88	3.6
1983	83	2.7

DVR believes that the decline in movement to competitive employment is partly due to the depressed economy which has reduced work opportunities for handicapped and non-handicapped workers alike. In our view, this low rate of movement shows that sheltered employment programs in Minnesota are not an effective means to secure competitive employment for handicapped persons.

We analyzed the low rate at which sheltered workers in Minnesota move into competitive employment. Although DVR should survey workshops to find out why movement is low, it does not.[1] In its 1982 survey of Minnesota sheltered workshops, the Developmental Disabilities Planning Council found that workshop managers considered 405 workers in 25 sheltered workshops ready to move out of the workshops. This included 236 who were considered ready for competitive employment and 169 who were ready for sheltered work in a competitive setting. The workshops identified many reasons for this lack of movement, most of which were related to the poor condition of the economy and a lack of placement opportunities.

We think that one major reason for low rates of movement is that movement depends largely on the initiative of the workshop. There are no fiscal incentives for a workshop to encourage sheltered workers to move out to competitive employment. Furthermore, there is little funding available to pay workshops to provide the support services necessary to make the transition to a more competitive job. However, there are obvious advantages to retain the most productive sheltered workers since they use less of the workshop's state program subsidy and require less supervision. If those workers moved out, they might be replaced by handicapped persons who are less productive or more difficult to manage.

Because sheltered workers are no longer DVR clients, the agency does little to evaluate whether individual placements are still appropriate. We looked at how often sheltered workshops take the initiative in helping to place their workers in competitive employment. Sheltered workers can re-enter the vocational rehabilitation service system if they want to get assistance and training to prepare for competitive employment. In some cases, we assume that staff members in the workshop would be responsible for arranging the referral.

We found that only a few of these referrals resulted in a sheltered worker finding competitive employment. Between 1981 and 1983, 190 sheltered workers were referred to DVR for rehabilitation services. Of this group:

- DVR denied services to nearly one-third (62) of the applicants, 30 of whom had a primary disability of mental retardation.

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[1]As we discuss in Chapter IV, DVR collects very little data from workshops to measure the progress of individual sheltered workers or to evaluate whether placements in sheltered work are still appropriate.

- Another twelve percent of those referred were accepted for services but were eventually closed as unsuccessfully rehabilitated.

About one-quarter (46) of the 190 clients were eventually closed as successfully rehabilitated. However, only 20 clients became competitively employed. DVR spent very little for services for the 20 sheltered workers who made it into competitive employment, though one-half of those clients received some vocational training. The other 26 were closed as sheltered workers. DVR spent an average of $1,455 on services for clients who were closed as sheltered workers, mostly for vocational evaluation and work adjustment training in sheltered workshops. Only one worker received any specific vocational training. About one-third of the 190 clients are still receiving rehabilitation services. We are concerned that these outcomes show that DVR does little to help sheltered workers who are interested in competive work.

Services that could help sheltered workers move into competitive employment are often not readily available to them. For example, many workshops have job placement or development specialists who help clients find jobs outside the workshop and provide the necessary follow-up and support to help them hold those jobs. Other workshops have skill training programs to help handicapped persons acquire vocational skills needed to move into competitive employment. DVR will buy these services for its clients, but not for sheltered workers who are not DVR clients.

Low rates of movement are partly explained by uncertainty and low expectations. Sheltered workers may be comfortable with their current financial arrangements and feel insecure about trying something different. About half of them receive public assistance, such as Supplemental Security Income (SSI) and state general assistance, in addition to their earnings. Higher wages could mean risking reduction or loss of their public assistance benefits. Some parents of handicapped persons may have low expectations for what their children can learn and accomplish in the workplace, and they may also like the stability of a long-term sheltered placement.

2. WAGES AND BENEFITS

Federal laws allow sheltered workshops to pay less than the minimum wage to their workers because it is assumed that handicapped persons are less productive than non-handicapped persons and would otherwise be denied employment opportunities. Workshops must comply with federal wage and hour regulations which require them to pay sheltered workers a proportion of commensurate wage, based on productivity. Commensurate wage is based on the prevailing wage paid non-handicapped workers in the same geographic area for similar work. For example, if a workshop determines that federal minimum wage--$3.35 in 1983--is the commensurate wage for a certain job, a worker who is found to be 50 percent as productive as a non-handicapped worker will be paid a proportionate wage of $1.67 per hour.

By law, workshops are required to conduct periodic surveys to update their information about prevailing wages in the area.[2] Workshops are also required to evaluate the productivity of their workers on a regular basis and adjust wages accordingly.

A common practice in workshops is to pay piece rate wages. This is one of several exceptions which allow a workshop to pay less than one-half of the minimum wage, which is otherwise required by the Department of Labor. The commensurate wage is translated into a certain productivity standard, e.g., 30 widgets per hour. A worker who produces 15 widgets per hour is then paid one-half the prevailing wage.

We examined wages earned by sheltered workers in Minnesota. As shown in Table 14, average hourly wages of sheltered workers are low in comparison to the minimum wage. Only one workshop reports average wages higher than the federal minimum wage, while eleven workshops report average wages that are more than one-half the minimum wage. Table 14 also shows that while some workshops have experienced notable increases or decreases in worker wages, the statewide average wage has changed only a little since 1980; from $1.44 per hour in 1980 to $1.66 per hour in 1984.

Most sheltered workers work less than a traditional 40-hour week. In 1983, sheltered workshops had average work weeks of about 25 hours. Some workshops provided less than 20 hours of work per week, on average. The number of hours of work a workshop can provide depends on the volume of subcontract work available and on sales of proprietary products.

Table 14 shows the average annual wages in 1983 for workers in each sheltered workshop, which range from $999 to $4,875. The average for all workshops is $2,352. Table 15 provides comparative data on average wages in work activity and work component programs since 1980. Again, average wages in the state for workers in these programs have hardly changed in the past four years. The average annual wage is quite low for workers in both programs: in 1983, the average annual wage for work activity was $655 and $125 for work component.

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[2]DVR does not audit workshops to determine if they have correctly established the commensurate wage. The U.S. Department of Labor is responsible for enforcement of these requirements. However, studies by the U.S. General Accounting Office have found the Department of Labor does not vigorously enforce this law. U.S. General Accounting Office, Stronger Federal Efforts Needed for Providing Employment Opportunities and Enforcing Labor Standards in Sheltered Workshops, September 28, 1981. Sheltered workshop administrators that we spoke with said that they had been audited very infrequently by the Department of Labor and that those few audits were usually in response to a worker's complaint.

TABLE I4

AVERAGE HOURLY WAGES FOR SHELTERED WORK
1980-1984

WORKSHOP NAME	1980	1981	1982	1983	BUDGET 1984	PERCENT CHANGE 1980-84	1983 AVERAGE ANNUAL WAGES
CENTRAL REGION							
Brighter Day Achievement Center	$0.97	$1.06	$1.10	$1.29	$1.25	28.9%	$1,482
Functional Industries	1.39	1.18	1.40	1.34	1.34	-3.6	1,964
Opportunity Training Center	1.25	1.51	1.83	2.59	2.49	99.2	2,109
West Central Industries	0.98	1.27	1.36	0.65	1.07	9.2	1,677
EAST METRO REGION							
Goodwill Industries Twin Cities	$2.58	$2.61	$2.68	$2.35	NA		
Midwest Special Services	1.88	2.07	1.88	2.93	$3.09	64.4%	$3,513
Minnesota Diversified Industries	1.40	1.55	1.95	1.83	2.02	44.3	2,104
Owobopte Rehab Industries	0.84	0.86	0.58	0.75	0.56	-33.3	999
St. Paul Rehab Center	1.95	2.04	2.20	2.39	2.50	28.2	3,711
NORTH REGION							
C.W.D.C. Inudstries	$1.00	$1.13	$1.63	$1.59	$1.65	65.0%	$1,783
Goodwill Industries Voc. Enterprises	1.79	1.72	1.75	1.89	1.71	-4.5	1,761
Lake Region Rehab Industries	NA	1.16	1.33	1.34	1.34		1,306
Occupational Development Center	1.05	1.09	1.16	1.14	1.21	15.2	1,234
Sheltered Employment Services							
SOUTH REGION							
Ability Building [illegible]	$2.02	$2.28	$2.38	$2.18	$2.26	11.9%	$2,673
Cedar Valley Reh[illegible]kshop	1.45	1.30	1.91	2.03	1.94	33.8	2,368
Interstate Re[illegible]itation Center	1.65	1.75	1.86	1.88	1.95	18.2	2,681
Mankato Rehab Center	1.08	1.12	1.34	1.17	1.16	7.4	1,446
ORC Industries	1.19	0.94	1.32	1.27	1.21	1.7	2,145
Service Industries	1.25	1.52	1.60	1.45	1.44	15.2	1,605
The Achievement Center	1.40	1.68	1.63	2.03	1.19	-14.9	2,760
WEST METRO REGION							
Cerebral Palsy Center	$2.20	NA	NA	$2.40	$2.19	-0.5%	$4,875
Courage Center							
Jewish Vocational Workshop	1.24			2.16	1.53	23.4	3,253
Opportunity Workshop	1.30	$1.21	$1.51	1.67	1.80	38.5	1,675
Rise, Inc.	1.31	1.45	1.57	1.15	1.17	-10.7	1,673
Tasks, Unlimited	NA				3.82		
STATEWIDE AVERAGES	$1.44	$1.48	$1.64	$1.73	$1.66	15.2%	$2,352

SOURCES: 1980-82 data from Developmental Disabilities Planning Council, State Planning Agency, Sheltered Employment Survey, Fall 1982.
1983-84 data from Facility Fiscal Data reports, Division of Vocational Rehabilitation.

TABLE 15

AVERAGE HOURLY WAGES FOR WORK ACTIVITY AND WORK COMPONENT
1980-1984

WORKSHOP NAME	1980	1981	1982	1983	(BUDGET) 1984	PERCENT CHANGE 1980-84	1983 AVERAGE ANNUAL WAGES
WORK ACTIVITY							
CENTRAL REGION							
Brighter Day Achievement Center	$0.28	$0.36	$0.33	$0.69	$0.34	21.4%	$ 411
Functional Industries	0.84	0.83	0.72	0.66	0.65	-22.6	757
Opportunity Training Center	0.78	0.31	1.16	1.41	1.55	98.7	1,102
EAST METRO REGION							
Goodwill Industries Twin Cities	$0.58	$0.55	$0.56	$0.44	$0.66	13.8%	
Midwest Special Services	0.86	0.91	0.64	1.03	1.09	26.7	$ 921
Minnesota Diversified Industries	0.65	0.80	0.85	0.77	0.83	27.7	869
Owobopte Rehab Industries	0.69	0.72	0.34	0.62			400
NORTH REGION							
C.W.D.C. Industries	$0.53	$0.61	$0.61	$0.62	$0.64	20.8%	$ 519
Goodwill Industries Voc. Enterprises	0.49	0.32	0.40	0.48	0.34	-30.6	569
Lake Region Rehab Industries		0.43	0.63	0.18	0.17		253
Occupational Development Center	0.70	0.60	0.43	0.37	0.39	-44.3	364
SOUTH REGION							
Ability Building Center	$0.77	$0.99	$0.96	$0.93	$0.97	26.0%	$ 885
Interstate Rehabilitation Center	1.07	0.71	0.75	0.58	0.60	-43.9	676
Mankato Rehab Center	0.43	0.66	0.56	0.46	0.55	27.9	525
ORC Industries	0.45	0.35	0.46	0.32	0.33	-26.7	486
Service Industries	0.68	0.69	0.73	0.66	0.74	8.8	605
WEST METRO REGION							
Cerebral Palsy Center	$0.33	$0.60	$0.75	$0.79	$0.68	106.1%	$ 271
Hennepin County Mental Health Center				1.05	1.05		
Opportunity Workshop	0.60	0.59	0.66	0.74	0.80	33.3	412
Rise, Inc.	0.86	0.70	0.88	0.48	0.47	-45.3	684
STATEWIDE AVERAGE	$0.64	$0.62	$0.65	$0.66	$0.66	2.7%	$ 655
WORK COMPONENT							
CENTRAL REGION							
Brighter Day Achievement Center	$0.43	$0.68	$0.63	$0.65	$0.44	2.3%	$ 154
Functional Industries	0.64	0.76	0.65	0.93	0.93	45.3	43
Opportunity Training Center	0.35	0.38	0.34	NA	0.42	20.0	
West Central Industries	0.53	0.47	0.81	0.70	0.72	35.8	299
EAST METRO REGION							
Owobopte Rehab Industries	$0.52	$0.52	$0.38	$0.31	$0.24	-53.8%	$ 123
NORTH REGION							
C.W.D.C. Industries	$0.42	$0.26	$0.38	$0.37	$0.38	-9.5%	$ 318
Goodwill Industries Voc. Enterprises	0.38	0.30	0.35	0.47	0.21	-44.7	139
Lake Region Rehab Industries	NA	NA	NA	0.18	0.19		36
Occupational Development Center	0.63	0.72	0.73	0.68	0.72	14.3	175
SOUTH REGION							
Ability Building Center	$0.84	$0.68	$0.64	$0.61	$0.64	-23.8%	$ 229
Cedar Valley Rehab Workshop	0.76	0.50	0.45	0.39	0.35	-53.9	114
Interstate Rehabilitation Center	0.53	0.48	0.50	0.40	0.43	-18.9	131
Mankato Rehab Center	0.38	0.42	0.29	0.25	0.20	-47.4	91
ORC Industries	0.31	0.25	0.49	0.62	0.69	122.6	106
The Achievement Center	0.30	0.55	0.10	0.83	0.90	200.0	71
WEST METRO REGION							
Rise, Inc.	$ 0.46	$0.55	$0.50	NA	NA		
STATEWIDE AVERAGE	$0.50	$0.50	$0.48	$0.53	$0.50	-0.3%	$ 126

Sources: 1980-82 data from Developmental Disabilities Planning Council, State Planning Agency, Sheltered Employment Survey, Fall 1982.
1983-84 data from Facility Fiscal data reports, Division of Vocational Rehabilitation.

Sheltered workers receive minimal fringe benefits. Under the accreditation standards that all workshops will be required to meet in 1984, a sheltered worker is entitled to five paid holidays, five paid sick days, and five paid vacation days each year. The same standards also require a workshop to provide sheltered workers who have worked for at least one year with benefits comparable to what similarly classified non-disabled employees of the workshop receive. However, few workshops employ nonhandicapped workers in similar job classes, so this standard has little effect on the benefits received by sheltered workers.

The issue of worker benefits emerged during the 1983 legislative session. A rider to the Health, Welfare, and Corrections Appropriations Act required that workshops receiving state subsidies provide sheltered workers with fundamental personnel benefits and binding arbitration of grievances. To help it to implement this provision, DVR convened a task force of workshop directors, advocacy groups, and others.

In January 1984, DVR accepted the task force's recommendation that sheltered workers, but not work activity participants, receive certain fundamental personnel benefits, including vacation, sick leave, holiday, military leave, maternity leave, jury duty, overtime pay, voting time, social security, and workers' compensation. These benefits are to be provided on the basis of the accreditation standard mentioned above, or on the same basis as workshop staff, with adjustments for length of work day. This policy is to take effect immediately, although workshops may delay complete implementation until October 1985, if needed because of financial hardship.

The task force and DVR deferred for further study the issue of providing hospitalization and medical care insurance to sheltered workers. To non-handicapped workers, this is often the most visible and significant benefit of employment. However, it is rarely available to sheltered workers. A 1983 DVR survey of workshops' personnel policies found that "six have medical insurance available and at least two workshops pay some proportion of the coverage."

C. ANALYSIS OF 1983 CLOSURES

To learn more about how handicapped persons are placed in sheltered employment, we examined outcomes for a group of DVR clients who had received rehabilitation services from sheltered workshops. In our analysis, we looked at a group of about 1,000 DVR clients who had received rehabilitation services from one of the 28 workshops, and whose cases had been closed by DVR during 1983.[3] These individuals were sorted by three different types of closures:

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[3]We did not look at clients who received services only from rehabilitation facilities which do not provide sheltered employment.

competitive employment, sheltered employment, and unsuccessful rehabilitation. We examined what DVR spent on services while these persons were DVR clients.

We found that DVR spends a good deal of money to train handicapped persons to become sheltered workers. For clients closed as sheltered workers in 1983, DVR spent an average of $2,700 for services, including evaluation, training, therapies, transportation, and maintenance. Table 16 shows the amounts spent on two basic services, vocational evaluation and work adjustment training.

TABLE 16

DOLLARS SPENT ON VOCATIONAL EVALUATION AND WORK ADJUSTMENT TRAINING

Outcome	Number of Clients	Average Cost Per Client	Total Cost
Competitive Employment:			
Clients receiving			
Vocational Evaluation	259	$ 565	$146,340
Work Adjustment Training	234	1,691	395,798
Sheltered Employment:			
Clients receiving			
Vocational Evaluation	366	$ 529	$193,442
Work Adjustment Training	415	1,932	801,644
Unsuccessful Rehabilitation:			
Clients receiving			
Vocational Evaluation	356	$ 452	$160,779
Work Adjustment Training	264	1,312	346,473

Source: Program Evaluation Division Analysis, 1984.

We are particularly concerned about the amount of money DVR spends on work adjustment training and the results it receives. As shown in Table 16, DVR paid facilities an average of $1,932 per client for work adjustment training for handicapped persons who became sheltered workers in 1983. When their cases were closed two to six months after placement in sheltered work, they were earning an average of $49.00 per week as sheltered workers.

We calculated the average weekly earnings for each workshop in which clients received work adjustment training. As shown in Table 17, the range of average weekly earnings was from $31.86 to $88.00. By comparison, the Division of Services for the Blind closed 22 clients as sheltered workers during 1983. These workers earned an average of $80 per week at closure.

TABLE 17

1983 CLIENT CLOSURE OUTCOMES: WORK ADJUSTMENT TRAINING CLIENTS CLOSED AS SHELTERED WORKERS

Workshop Name	Number of Clients	Average Cost of Work Adjustment Training	Average Weekly Earnings at Closure
CENTRAL REGION			
Functional Industries	19	$1,822	$36.42
Opportunity Training Center	16	2,063	46.56
West Central Industries	17	2,826	43.29
EAST METRO REGION			
Goodwill Industries Twin Cities	33	$1,333	$72.06
Midwest Special Services	9	1,100	56.50
Minnesota Diversified Industries	9	1,743	67.63
Owobopte Rehab Industries	19	2,287	34.94
St. Paul Rehab Center	28	2,481	66.04
NORTH REGION			
C.W.D.C. Industries	14	$1,616	$65.57
Goodwill Industries Voc.Enterprises	15	1,435	54.27
Lake Region Rehab Industries	22	3,044	42.59
Occupational Development Center	28	2,640	36.39
SOUTH REGION			
Ability Building Center	11	$2,334	$57.36
Cedar Valley Rehab Workshop	32	919	60.22
Interstate Rehabilitation	14	1,634	42.57
Mankato Rehab Center	49	1,569	32.16
ORC Industries	12	1,804	42.25
Service Industries	10	2,251	40.10
The Achievement Center	5	1,317	62.40
WEST METRO REGION			
Courage Center	7	$ 720	$31.86
Jewish Vocational Workshop	14	1,985	44.85
Opportunity Workshop	11	2,189	34.89
RISE, Inc.	16	3,177	53.19
Tasks, Unlimited	5	1,044	88.00
TOTAL/AVERAGE	415	$1,932	$49.06

Source: Program Evaluation Division Analysis, 1984.

Some facilities received higher than average fees for similar outcomes. For example, DVR paid facilities an average of $1,932 per client for work adjustment training for individuals who ultimately became sheltered workers. However, three facilities received average fees in excess of $2,800 for the same result. Fees are set in operating agreements between DVR and each workshop. The average fee for work adjustment training is $104 per week in 1984, although some workshops charge as much as $170 per week. Table 17 shows the average cost for work adjustment training for different workshops and the average weekly earnings of sheltered workers who had received training.

Workshops received very high fees for work adjustment training provided to some individuals. We found 71 cases where DVR paid more than $3,000 for work adjustment training for persons who ultimately became sheltered workers. In one case, DVR paid a sheltered workshop $7,050 for work adjustment training and $3,695 for other services for one person, a mentally retarded woman. When her case was closed by DVR in 1983, she was earning $67.00 a week as a sheltered worker.

We found instances in which DVR bought vocational services for a handicapped client from more than one workshop, and the client was ultimately closed as a sheltered worker or as unsuccessfully rehabilitated. In 47 cases, clients received either vocational evaluation or work adjustment training from two different workshops and were closed as sheltered workers. In 62 cases, clients received services from two different workshops and were closed as unsuccessfully rehabilitated. In these cases, as might be expected, buying similar services from two workshops doubled the average cost of work adjustment training to nearly $4,000.

Handicapped persons who are referred to sheltered workshops for work adjustment training are likely to become sheltered workers. We found 45.5 percent of clients referred for work adjustment training were sheltered workers at the time DVR closed their cases. A quarter of these clients entered competitive employment and the rest were eventually closed as unsuccessfully rehabilitated. As shown in Table 18, the range in outcomes is quite wide among workshops. In four workshops, more than 70 percent of work adjustment training referrals became sheltered workers. In seven workshops, less than one-third of those individuals referred became sheltered workers.

We examined what happened to those individuals who had a primary disability of mental retardation. We found that an even higher proportion of mentally retarded persons who were referred for work adjustment training eventually became sheltered workers--57.8 percent statewide. While three facilities had rates of 100 percent sheltered placement, two had rates of less than one-third sheltered placement. We found four facilities whose mentally retarded clients frequently graduate from work adjustment training to competitive employment. By contrast, some sheltered workshops graduated very few clients to competitive jobs.

TABLE 18

1983 CLIENT CLOSURE OUTCOMES: WORK ADJUSTMENT TRAINING CLIENTS[a]

WORKSHOP NAME	WORK ADJUSTMENT TRAINING CLIENTS			MENTALLY RETARDED CLIENTS ONLY		
	COMPETITIVE EMPLOYMENT (N=234)	SHELTERED WORK (N=415)	UNSUCCESSFUL REHABILITATION (N=264)	COMPETITIVE EMPLOYMENT (N=84)	SHELTERED WORK (N=222)	UNSUCCESSFUL REHABILITATION (N=78)
CENTRAL REGION						
Functional Industries	9.1%	86.4%	4.5%	0.0%	100.0%	0.0%
Opportunity Training Center	33.3	31.4	35.3	22.7	45.5	31.8
West Central Industries	42.9	30.4	26.8	30.0	45.0	25.0
EAST METRO REGION						
Goodwill Industries Twin Cities	9.8%	54.1%	36.1%	10.5%	57.9%	31.6%
Midwest Special Services	0.0	100.0	0.0	0.0	100.0	0.0
Minnesota Diversified Industries	38.5	34.6	26.9	60.0	30.0	10.0
Owobopte Rehab Industries	28.6	67.9	3.6	27.3	72.7	0.0
St. Paul Rehab Center	32.8	22.4	44.8	26.7	23.3	50.0
NORTH REGION						
C.W.D.C. Industries	13.3%	46.7%	40.0%	21.1%	42.1%	36.8%
Goodwill Industries Voc. Enterprises	7.1	53.6	39.3	11.1	77.8	11.1
Lake Region Rehab Industries	30.0	55.0	15.0	15.6	78.1	6.3
Occupational Development Center	30.3	42.4	27.3	33.3	54.5	12.1
Sheltered Employment Services						
SOUTH REGION						
Ability Building Center	43.6%	28.2%	28.2%	53.8%	30.8%	15.4%
Cedar Valley Rehab Workshop	4.7	74.4	20.9	0.0	80.0	20.0
Interstate Rehabilitation Center	8.0	56.0	36.0	9.1	81.8	9.1
Mankato Rehab Center	17.7	62.0	20.3	11.1	75.6	13.3
ORC Industries	15.8	63.2	21.1	0.0	83.3	16.7
Service Industries	15.0	50.0	35.0	10.0	60.0	30.0
The Achievement Center	0.0	83.3	16.7	0.0	100.0	0.0
WEST METRO REGION						
Courage Center	32.0%	28.0%	40.0%	----	----	----
Jewish Vocational Workshop	25.0	50.0	25.0	40.0%	40.0%	20.0%
Opportunity Workshop	43.2	29.7	27.0	42.3	38.5	19.2
Rise, Inc.	23.3	53.3	23.3	19.0	52.4	28.6
Tasks, Unlimited	45.0	25.0	30.0	----	----	----
STATEWIDE AVERAGES	25.6%	45.5%	28.9%	21.9%	57.8%	20.3%

SOURCE: Program Evaluation Division Analysis, 1984.

[a]Based on 913 DVR clients who received work adjustment training in sheltered workshops. Does not include clients who received work adjustment training from rehabilitation facilities which do not operate sheltered employment programs.

Some researchers in this area have criticized the value of work adjustment training programs. Because these programs typically take place inside a workshop, they tend to prepare a person for placement as a sheltered worker. Work adjustment training provides only limited exposure to actual work settings and does not allow a handicapped person opportunities to be trained in jobs or to model behavior after non-handicapped workers. Professional standards in the rehabilitation profession require vocational evaluations before placing a client in sheltered work, but there is no similar standard which requires work adjustment training.

DVR spent $1 million at workshops for evaluation services and work adjustment training for individuals who became sheltered workers in 1983. We are concerned that the state is paying large fees for predictable and sometimes disappointing outcomes. We suggest that work adjustment training fees may be another way for DVR to subsidize workshops.

Our discussion above demonstrates some of the problems with work adjustment training provided by sheltered workshops. We think that the outcomes described reflect the limited opportunities that handicapped persons, particularly mentally retarded persons, have in this state for employment and training outside of the traditional workshop programs. In fact, there are few choices open to a handicapped person or to the counselor who is developing a rehabilitation plan.

D. RECOMMENDATIONS

In this chapter we have concluded that DVR spends a good deal of money training handicapped persons to work in sheltered workshops but spends relatively little money training handicapped persons for more competitive jobs.

We recommend:

- The Legislature and DVR should consider changes in the vocational rehabilitation system and in funding decisions that would reduce the state's reliance on sheltered workshops' work adjustment training programs in favor of programs teaching job skills.

- The Legislature and DVR should provide funding and encouragement for programs that support the transition of sheltered workers into competitive employment.

Minnesota should consider different models to provide training and employment for those handicapped persons who are now referred to sheltered workshops. Appendix A of this report describes a number of programs in Minnesota and elsewhere that we view as alternatives to the traditional model of sheltered employment in Minnesota. Several of these programs have achieved notable success in

training severely handicapped persons for competitive or subsidized competitive jobs at comparable costs to the public. One example is Vocational Education Alternatives (VEA) of Madison, Wisconsin. That program serves handicapped persons, some of whom have been rejected for services by the state vocational rehabilitation agency as not able to achieve competitive employment.

VEA teaches generic skills, such as self-advocacy and how to gain access to training opportunities. It also provides job development and on-the-job training services. VEA staff members work intensively with clients to teach job skills at the work site and then provide follow-up services to help clients retain jobs.

Until 1983, VEA did not receive any funding from the Wisconsin vocational rehabilitation agency. Under a new arrangement, VEA and other rehabilitation facilities will receive $680 for each agency client they place in competitive employment. By comparison, DVR spends about $2,700 on client services for clients who become sheltered workers. The average annual state subsidy for a sheltered work station is $1,806 in 1984. In the next chapter, we suggest different approaches to funding sheltered employment in Minnesota. The state could consider a system of direct payments linked to certain outcomes, as is now used in Wisconsin.

III. ANALYSIS OF DVR FUNDING OF SHELTERED WORKSHOPS

The Minnesota Division of Vocational Rehabilitation is responsible for allocating state Long-Term Sheltered Employment subsidies to sheltered workshops for sheltered work, work activity, and work component programs. Workshops may use state subsidies to offset some of the operating costs of their employment programs for handicapped workers.

We examined the funding process in order to answer the following questions:

- What criteria does DVR use to distribute long-term sheltered workshop funds among the facilities?
- Does this method of allocation encourage efficient and effective programs?
- What are alternate approaches to funding employment programs for handicapped persons?

A. HISTORY OF SHELTERED WORKSHOP FUNDING

In June 1973, the Division of Vocational Rehabilitation negotiated a contract with the Department of Public Welfare (DPW) to use Title XX social service funds, supplemented by a state appropriation, to subsidize sheltered workshops. DVR paid each workshop a per diem rate based on: 1) the net program cost of a facility (total budget less subcontract income, United Way support, and local tax dollars), 2) the number of workers in a program, and 3) a work year of 250 days.

In order to be eligible for funding, a workshop was required to show that 45 percent of its net program cost was earned through subcontract and sales income. Compliance with this standard indicated to DVR that the workshop was making an effort to be partially self-supporting.

In addition, the Division of Vocational Rehabilitation imposed ceilings on the per diem payments based partly on the number of workers in a program. An example of how these ceilings were applied in 1975 is shown in Table 19. DVR theorized that certain program costs remain fixed regardless of the number of workers. Thus, operation of a large workshop would be less expensive per worker than operation of a small one.

TABLE 19

DIVISION OF VOCATIONAL REHABILITATION
CEILINGS FOR PER DIEM PAYMENTS

	Number of Workers	1975 Ceiling
Sheltered Work	1-50	$7.00
	50-100	6.00
	100+	5.00
Work Activity		$7.00
Work Component		$2.00

Source: DVR, Client Services Director, March 5, 1984.

Sheltered workshops submitted monthly billings to DVR for reimbursement. After a four to six week period required for processing, workshops received payment. DVR administrators say that costs under this funding system were high for the agency which assigned one and a half staff persons to handle billings. DPW received five percent of the total federal dollars to cover its costs in handling the contract.

After the enactment of the Community Social Services Act in 1979, federal Title XX funds were allocated to the counties as a block grant. The Division of Vocational Rehabilitation and the Department of Public Welfare terminated their contractual arrangement and the present system of allocating long-term sheltered work funds was put into operation.

B. HOW THE FUNDING FORMULA IS APPLIED

By statute,

> At the beginning of each fiscal year, the commissioner shall allocate available funds to long-term sheltered workshops and work activity programs for disbursement during the fiscal year in accordance with approved plans or budgets.[1]

In order to apply for available funds, each workshop completes an application which contains information about numbers of clients served, the legal status of the workshop, subminimum wage certification, and accreditation of the facility. In addition, two facility fiscal data reports are submitted to DVR, one with actual

[1] Minn. Stat. §129A.08, Subd. 2.

expenditures for the previous year, and a second with the proposed budget for the upcoming year.

The following formula is then applied to determine sheltered work subsidies and work activity subsidies for each workshop:

$$\frac{\text{Individual Program Cost}}{\text{Total Program Cost}} \times \text{Funding Available} = \text{Individual Workshop Allocation}$$

The individual program cost, also called the net program cost is defined as the total program cost, both direct and indirect, less client wages and production supplies. These have been subtracted out to ensure that the state subsidizes program overhead only and not client wages or bids made to private industry. For 1984, certain client benefits have also been subtracted out of the total program cost. The subtracted benefits include vacation, holiday, and sick leave pay, but not insurance or workers' compensation.

The total program cost is the sum of the net costs for sheltered work or work activity programs in all workshops, depending upon which is being calculated.

Funding available is the portion of the state appropriation which has been designated for sheltered work or work activity programs.

Although work component programs draw upon the same long-term sheltered employment funds, DVR applies a different funding formula. It calculates a net program cost for each workshop and allocates 75 percent of that sum.

We found that actual allocations were very different from the formula allocations because of numerous adjustments made by DVR. Following application of the formulas to the programs offered by the facility, the Division of Vocational Rehabilitation compared the actual allocation for 1983 with the formula allocation for 1984. The formula subsidy was adjusted by DVR in order to maintain the facility at least at the same level of funding received for 1983. In 1984 this was accomplished by applying two rules:

1) A facility will not receive an increase greater than 9.4 percent of the allocation for 1983. Any increase between 0 and 9.4 percent will be maintained.

2) A facility will not receive an amount less than that which was allocated for 1983. If the formula indicates a decrease for sheltered work, DVR will allocate a 2.2 percent increase over the 1983 subsidy to cover differences due to inflation. If the formula indicates a decrease for work activity, the workshop will receive a subsidy equal to that of 1983.

When this process was completed, a workshop's total subsidy was calculated by adding the adjusted subsidies for sheltered work, work activity, and work component programs. If the total for 1984

was less than the total for 1983, the new sum was brought up to match the subsidy for 1983. In order to do this, dollars were taken from workshops experiencing an increased subsidy and reallocated on a proportional basis to those with a decreased subsidy.

The final allocation was distributed for each workshop among its sheltered work, work activity, and work component programs, with the understanding that funds would be used specifically for the program for which they were earmarked. The Division of Vocational Rehabilitation pays the workshops on a quarterly basis.[2] Figure 4 shows how DVR calculated the 1984 subsidy for one sheltered workshop, the Ability Building Center.

Table 20 shows the entire allocation process for 1984. We applied the formula, as described above, and calculated an allocation for each workshop. This figure was then adjusted following Division of Vocational Rehabilitation criteria for minimum and maximum increases. We also show the actual sum allocated by the Division of Vocational Rehabilitation to each workshop and compare this to the formula subsidy. As shown in Table 20, 16 workshops received more than the formula allocation, with differences ranging from $4,000 to $112,000. Twelve workshops received less than the formula allocation, with differences ranging from $2,000 to $213,000.

Table 21 compares the subsidies allocated to workshops for 1983 and 1984. While six workshops received the same amount for both years, the remaining 22 workshops received increases which ranged from $1,000 to $75,000.

C. ANALYSIS OF THE FUNDING FORMULA

1. SUBSIDIES AS A MEASURE OF PROGRAM COST

In its role as a vocational rehabilitation agency, DVR buys rehabilitation services for disabled persons. DVR purchases services offered in sheltered workshop programs by allocating long-term sheltered employment funds to the workshops. We examined how the Division of Vocational Rehabilitation spends state funds in order to determine whether DVR is a prudent purchaser of services.

By statute, state subsidies to sheltered workshops

> may not exceed an amount equal to 75 percent of the normal operating expenses of the long-term sheltered workshop or work activity center. . . . In the event that there are inadequate funds appropriated to meet the foregoing provisions in full, they shall be prorated proportionately.[3]

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[2]Sheltered work/work activity funds are appropriated on a state fiscal year but are administered on a federal fiscal year.

[3]Minn. Stat. §129A.08, Subd. 3.

FIGURE 4

CALCULATION OF 1984 DVR SUBSIDY FOR ABILITY BUILDING CENTER

Step One: Calculate subsidy for sheltered work program using DVR formula:

$$\frac{\text{ABC's net program cost}}{\text{Total net program costs}} \times \text{Funding available} = \text{ABC's subsidy}$$

$$\frac{\$917,813}{\$13,303,761} \times \$5,117,923 = \$353,080$$

Calculate subsidy for work activity program using DVR formula:

$$\frac{\text{ABC's net program cost}}{\text{Total net program costs}} \times \text{Funding available} = \text{ABC's subsidy}$$

$$\frac{\$257,034}{\$4,894,692} \times \$1,752,695 = \$92,039$$

Calculate subsidy for work component program using DVR formula:

ABC's net program cost X 75% = ABC's subsidy

$37,953 X 75% = $ 28,465

TOTAL FORMULA SUBSIDY: $473,584

Step Two: Adjust formula subsidy for ABC's sheltered work program following the rule that a facility will not receive an increase greater than 9.4% of the 1983 allocation.

1984 formula subsidy	$353,080
1983 actual subsidy	$274,220
1984 vs. 1983 subsidy	28.7% increase
1984 adjusted subsidy	$299,997

Adjust formula subsidy for ABC's work activity program following the rule that a facility will not receive an amount less than that which was allocated for 1983.

1984 formula subsidy	$ 92,039
1983 actual subsidy	$114,145
1984 vs. 1983 subsidy	19.2% decrease
1984 adjusted subsidy	$114,141

Work component subsidies were not adjusted.

1984 subsidy remains	$ 28,465

TOTAL ADJUSTED SUBSIDY: $442,603

Step Three: Adjust total 1984 subsidy so that the facility will not receive an amount less than that which was allocated for 1983.

1984 total subsidy	$442,603
1983 total subsidy	$404,699

No change needed.

1984 Subsidy remains $442,603

Step Four: A proportional amount of the total figure is taken from ABC's total subsidy and redistributed to workshops experiencing a decreased subsidy.

$442,603
- 1,190

$441,413

Step Five: Redistribute final total figure of $441,413 among the facility's three programs:

1984 sheltered work subsidy	$298,803
1984 work activity subsidy	114,145
1984 work component subsidy	28,465

TOTAL ACTUAL SUBSIDY: $441,413

TABLE 20

SHELTERED WORKSHOP SUBSIDIES FOR 1984

WORKSHOP NAME	FORMULA SUBSIDY [a]	ADJUSTED SUBSIDY [b]	ACTUAL SUBSIDY [c]	FORMULA VS. ACTUAL SUBSIDY
Central Region				
Brighter Day Achievement Center	$ 93,111	$ 113,572	$ 120,856	$ 27,745
Functional Industries	128,008	123,241	125,612	-2,396
Opportunity Training Center	142,055	182,140	183,528	41,473
West Central Industries	261,549	267,804	267,085	5,536
East Metro Region				
Goodwill Industries Twin Cities	482,373	269,676	268,951	-213,422
Midwest Special Services	179,728	186,595	186,094	6,366
Minnesota Diversified Industries	514,967	501,730	500,381	-14,586
Owobopte Rehab Industries	155,305	141,397	141,016	-14,289
St. Paul Rehab Center	79,202	104,143	103,864	24,662
North Region				
C.W.D.C. Industries	249,938	275,808	275,066	25,128
Goodwill Industries Voc. Enterprises	533,949	524,662	523,253	-10,696
Lake Region Rehab Industries	131,359	167,741	168,979	37,620
Occupational Development Center	189,216	233,831	233,296	44,080
Sheltered Employment Services	69,571	100,711	100,440	30,869
South Region				
Ability Building Center	473,584	442,603	441,413	-32,171
Cedar Valley Rehab Workshop	426,986	422,519	421,385	-5,601
Interstate Rehabilitation Center	217,964	216,193	215,612	-2,352
Mankato Rehab Center	637,487	750,505	749,659	112,172
ORC Industries	86,088	93,400	93,150	7,062
Service Industries	93,520	102,404	102,128	8,608
The Achievement Center	81,413	81,413	85,256	3,843
West Metro Region				
Cerebral Palsy Center	461,091	486,883	485,574	24,483
Courage Center	106,061	89,468	89,229	-16,832
Hennepin County Mental Health Center	97,384	56,381	56,230	-41,154
Jewish Vocational Workshop	41,473	55,451	55,302	13,829
Opportunity Workshop	965,077	902,865	900,440	-64,637
Rise, Inc.	207,243	203,441	202,895	-4,348
Tasks, Unlimited	33,618	42,744	42,629	9,011
TOTAL	$7,139,322	$7,139,321	$7,139,323	

SOURCE: Program Evaluation Division Analysis, January 1984.

[a] Formula subsidies are calculated based on $\frac{\text{Individual NPC}}{\text{Total NPC}}$ X Funding Available = Workshop Subsidy.

[b] Subsidies are adjusted following DVR guidelines described in Section B of this chapter.

[c] Actual subsidies are the final amounts paid to each workshop as calculated by DVR.

TABLE 21

COMPARISON OF LONG-TERM SHELTERED EMPLOYMENT SUBSIDIES FOR 1983 AND 1984

WORKSHOP NAME	1983 SUBSIDIES	1984 SUBSIDIES	INCREASE IN 1984	PERCENTAGE OF INCREASE
Central Region				
Brighter Day Achievement Center	$ 120,856	$ 120,856	$ 0	0.0%
Functional Industries	125,612	125,612	0	0.0%
Opportunity Training Center	183,528	183,528	0	0.0%
West Central Industries	263,300	267,085	3,785	1.4%
East Metro Region				
Goodwill Industries Twin Cities	246,504	268,951	22,447	9.1%
Midwest Special Services	181,718	186,094	4,376	2.4%
Minnesota Diversified Industries	458,619	500,381	41,762	9.1%
Owobopte Rehab Industries	130,308	141,016	10,708	8.2%
St. Paul Rehab Center	101,883	103,864	1,981	1.9%
North Region				
C.W.D.C. Industries	268,863	275,066	6,203	2.3%
Goodwill Industries Voc. Enterprises	486,025	523,253	37,228	7.7%
Lake Region Rehab Industries	168,979	168,979	0	0.0%
Occupational Development Center	233,296	233,296	0	0.0%
Sheltered Employment Services	98,525	100,440	1,915	1.9%
South Region				
Ability Building Center	404,699	441,413	36,714	9.1%
Cedar Valley Rehab Workshop	386,995	421,385	34,390	8.9%
Interstate Rehabilitation Center	200,361	215,612	15,251	7.6%
Mankato Rehab Center	749,659	749,659	0	0.0%
ORC Industries	92,032	93,150	1,118	1.2%
Service Industries	99,038	102,128	3,090	3.1%
The Achievement Center	85,256	85,256	0	0.0%
West Metro Region				
Cerebral Palsy Center	478,542	485,574	7,032	1.5%
Courage Center	81,781	89,229	7,448	9.1%
Hennepin County Mental Health Ctr.	51,537	56,230	4,693	9.1%
Jewish Vocational Workshop	54,248	55,302	1,054	1.9%
Opportunity Workshop	825,288	900,440	75,152	9.1%
Rise, Inc.	194,440	202,895	8,455	4.3%
Tasks, Unlimited	41,816	42,629	813	1.9%
TOTAL	$6,813,708	$7,139,323	$ 325,615	
AVERAGE	$ 243,347	$ 254,976		4.0%

SOURCE: Program Evaluation Division Analysis, January 1984.

As we understand the law, DVR should distribute the state subsidies so that if appropriations are sufficient to provide each workshop with a 75 percent subsidy, each workshop would receive that proportion of its net operating costs. DVR says the purpose of using its formula as a method of allocating funds is to meet the statutory requirement to provide a uniform level of support for all workshops. For 1984, DVR proposed to subsidize 39 percent of net program costs for all sheltered work and work activity programs. We analyzed the allocations for 1984 in an effort to determine how closely the agency is meeting its goal.

Adherence to the funding formula would place all sheltered work, work activity, and work component programs at the proposed 39 percent level of support for 1984. However, we found that:

- When the Division of Vocational Rehabilitation adjusts the allocations, it moves workshop subsidies away from both the goal of 39 percent of net program cost and the statutory requirement of proportionate allocations.

In Table 22 we show the sheltered work and work activity subsidies as a percentage of the program's net cost. As shown in this table, 10 of the 27 long-term sheltered employment subsidies for 1984 are reasonably close to 39 percent of net program cost. Subsidies for the remaining 17 workshops range from 18 to 56 percent of program costs. None of the 20 work activity programs receive funds at the 39 percent level of support. Actual subsidies range from 21 to 67 percent of the programs' budgeted net costs.

Subsidies for work component programs are not shown in Table 22 as all workshops were funded at 75 percent of the program's net cost. DVR administrators say that application of the formula used to fund sheltered work and work activity programs would have resulted in inconsistencies in subsidies for work component programs.[4] In fact, application of the formula, without adjustment, resulted in the same allocation as was calculated using DVR's method.

- The formula as presently applied favors workshops with high operating costs but does not measure the cost-effectiveness of programs.

The present system of funding rewards workshops with high operating costs by offering large subsidies, but does nothing to ensure that programs are cost-effective. The Division of Vocational Rehabilitation requires the workshops to report their expenses each quarter, but does not measure how successfully the workshop secures subcontract work, if the workshop operates at a profit or a deficit, how wages and benefits are determined for workers, or whether the workshop places workers in competitive employment.

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[4]Memorandum from Marvin O. Spears, Director of Office of Rehabilitation Resources to James D. Wadworth, Executive Director of Goodwill Industries, Inc., November 4, 1983, p. 2.

TABLE 22

1984 SUBSIDIES AS A PERCENTAGE OF NET PROGRAM COST

WORKSHOP	SHELTERED WORK SUBSIDIES	WORK ACTIVITY SUBSIDIES
Central Region		
Brighter Day Achievement Center	38.5%	53.8%
Functional Industries	38.5	34.2
Opportunity Training Center	49.1	59.6
West Central Industries	39.4	----
East Metro Region		
Goodwill Industries Twin Cities	17.7%	30.8%
Midwest Special Services	40.7	28.8
Minnesota Diversified Industries	37.9	30.9
Owobopte Rehab Industries	34.3	35.7
St. Paul Rehab Center	50.4	----
North Region		
C.W.D.C. Industries	41.0%	54.4%
Goodwill Industries Voc. Enterprises	38.4	30.3
Lake Region Rehab Industries	45.3	67.1
Occupational Development Center	42.6	64.3
Sheltered Employment Services	55.5	----
South Region		
Ability Building Center	32.6%	44.4%
Cedar Valley Rehab Workshop	38.0	----
Interstate Rehabilitation Center	38.4	33.9
Mankato Rehab Center	47.3	37.5
ORC Industries	38.4	53.3
Service Industries	38.4	46.8
The Achievement Center	40.7	----
West Metro Region		
Cerebral Palsy Center	41.5%	35.8%
Courage Center	32.4	----
Hennepin County Mental Health Center	----	20.7
Jewish Vocational Workshop	51.3	----
Opportunity Workshop	37.1	32.8
Rise, Inc.	38.4	33.7
Tasks, Unlimited	48.8	----
AVERAGE	40.5%	41.4%

SOURCE: Program Evaluation Division Analysis, January 1984.

An illustration of how DVR bases funding on program costs may be found by comparing the 1984 subsidies for the work activity programs at Functional Industries and at the Cerebral Palsy Center. Functional Industries received a subsidy of $50,621 for its work activity program, while the Cerebral Palsy Center received $150,212 earmarked for work activity. The facility fiscal data reports for these two workshops show that both programs budgeted a similar number of hours of employment for their workers; 45,938 hours at Functional Industries and 42,372 hours at the Cerebral Palsy Center. The disparity in the workshops' subsidies reflects differences in the net operating costs of the two programs which were $148,059 at Functional Industries and $419,819 at the Cerebral Palsy Center. However, the subsidies do not measure the quality of either program or the amount of service offered to individuals employed in the work activity centers.

2. SUBSIDIES AS A MEASURE OF STATION CAPACITY

When funds are allocated to a sheltered employment program, the Division of Vocational Rehabilitation assigns an approved station capacity to that program.[5] The term "station capacity" came into use in 1982, when a DVR advisory task force found that "client capacity," the term previously used by DVR, was not well understood by the facilities. The task force expressed concern over the fact that more individuals were being served in workshops than were shown on the facility fiscal data forms, and therefore developed two new terms to address this issue:

- Station capacity - The number of full-time program stations available, based on current space, work and staffing patterns.

- Client enrollment - The number of clients currently and actively being served in a program.

Although a workshop may use the terms station capacity and client enrollment synonymously, we found this interpretation to be the exception rather than the rule. A workshop's station capacity and its actual client enrollment are often different because: 1) a number of part-time workers may occupy a single station, or conversely, 2) a station exists, but it is not utilized by a worker due to a lack of subcontract work.

We examined DVR's assignment of stations for 1984 to determine how it relates to worker hours and to allocated state dollars. We found that:

- The number of worker hours for a program is not related to the number of stations assigned by DVR to that program.

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[5] Additional stations may be funded by sources other than the Division of Vocational Rehabilitation, such as United Way or county agencies. However, these are not considered in counts of Division of Vocational Rehabilitation approved station capacity.

In Table 23 we show the average number of worker hours per station. This was calculated by dividing the total number of worker hours per program by the number of stations assigned to that program. As illustrated by the table the figures vary from workshop to workshop to the extent that client hours and station capacity could not be correlated in any meaningful way.

For sheltered work programs, worker hours per station ranged from 544 at Opportunity Training Center to 2,004 at Owobopte Rehabilitation Industries. For work activity programs, the hours per station ranged from 433 at Opportunity Training Center to 1,808 at Interstate Rehabilitation Center. For work component programs, the hours per station ranged from 47 at Functional Industries to 527 at Goodwill Industries Vocational Enterprises. These discrepancies indicate that the Division of Vocational Rehabilitation has not related worker hours to station capacity in any useful way.

- The number of stations assigned to a program is not related to the amount of money allocated by the Division of Vocational Rehabilitation to that program.

In Table 23 we also show the average subsidy per station. This was calculated by dividing the program's subsidy by the number of stations assigned to that program. We found that there was no relationship between a workshop's allocation and the number of stations it subsidized. An analysis of the subsidies for work activity programs in 1984 demonstrates this point. The program at ORC Industries is assigned 18 stations with an average allocation of $1,228 per station. However, a comparable program at the Occupational Development Center, which is assigned 17 stations, receives a substantially greater allocation of $3,878 per station.

We also expected to find an inverse relationship between the size of a program and the subsidy per station. We theorized that certain workshop costs remain fixed, such as administrative expenses and occupancy, thus making operation of a larger workshop less expensive per station than operation of a smaller one. Further examination of these work activity subsidies clearly contradicts the possibility of an inverse relationship. Owobopte Rehabilitation Industries, which operates the smallest work activity program in the state with 12 stations, receives $559 per station, less than any other workshop. Opportunity Workshop, which operates the largest work activity center program with 247 stations, receives $2,389 per station, more than any other workshop except the Occupational Development Center.

Furthermore, we noted that the Division of Vocational Rehabilitation failed to correlate the number of stations with the size of the subsidy as evidenced by revisions made in the 1984 figures. In November 1983, the Division of Vocational Rehabilitation sent a letter to all the workshops explaining that it had corrected an error made in calculating the subsidies. Although the error was a minor one, subsidies were substantially altered for some workshops. For example, Occupational Development Center received $45,000 more under the revised allocation than had been calculated originally, and Mankato Rehabilitation Center received an additional $43,000. Although the subsidies were increased, DVR did not expect to receive additional services from the workshops.

TABLE 23

STATIONS RELATED TO WORKER HOURS AND DIVISION OF VOCATIONAL REHABILITATION SUBSIDIES FOR 1984

WORKSHOP	SHELTERED WORK			WORK ACTIVITY			WORK COMPONENT		
	NUMBER OF STATIONS	HOURS PER STATION	ALLOCATION PER STATION	NUMBER OF STATIONS	HOURS PER STATION	ALLOCATION PER STATION	NUMBER OF STATIONS	HOURS PER STATION	ALLOCATION PER STATION
Central Region									
Brighter Day Achievement Center	5	1,140	$3,278	48	496	$1,728	70	214	$307
Functional Industries	41	1,339	1,751	41	1,120	1,235	69	47	46
Opportunity Training Center	79	544	1,758	27	433	1,062	150	155[b]	107[b]
West Central Industries	102	1,184	2,208	----	----	-----	100	240	419
East Metro Region									
Goodwill Industries Twin Cities	106	1,642[b]	$1,575[b]	85	1,167b	$1,200[b]	---	---	---
Midwest Special Services	114	657	1,520	14	480	919	---	---	---
Minnesota Diversified Industries	244	1,303	1,865	45	889	1,009	---	---	---
Owobopte Rehab Industries	72	2,004	1,629	12	553	559	30	520	$567
St. Paul Rehab Center	60	1,034	1,731	----	----	-----	---	---	---
North Region									
C.W.D.C. Industries	106	1,113	$1,896	46	634	$ 822	125	268	$290
Goodwill Industries Voc. Enterprises	168	1,053	2,711	57	1,373	914	76	527	207
Lake Region Rehab Industries	74	1,122	1,697	29	1,103	1,385	165	158	19
Occupational Development Center	107	881[a]	1,419	17	1,615	3,878	68	159	229
Sheltered Employment Services	78	-----[a]	1,288	----	----	-----	---	---	---
South Region									
Ability Building Center	127	1,292	$2,353	53	964	$2,154	46	501	$619
Cedar Valley Rehab Workshop	263	1,277	1,564	----	----	-----	85	373	119
Interstate Rehabilitation Center	85	972	1,994	20	1,808	1,673	46	454	275
Mankato Rehab Center	295	1,407	1,906	154	1,558	1,085	235	309	87
ORC Industries	53	1,675	1,229	18	797	1,228	25	123	237
Service Industries	35	1,098	1,851	22	900	1,697	---	---	---
The Achievement Center	38	1,158	1,834	----	----	-----	95	65	164
West Metro Region									
Cerebral Palsy Center	175	1,763[a]	$1,916	90	471	$1,669	---	---	---
Courage Center	280	-----[a]	319	----	----	-----	---	---	---
Hennepin County Mental Health Ctr.	---	-----	-----	45	532	1,250	---	---	---
Jewish Vocational Workshop	37	1,018	1,495	----	----	-----	---	---	---
Opportunity Workshop	150	1,091	2,069	247	671	2,389	---	---	---
Rise	97	1,425	1,389	37	1,362	1,702	32	500[b]	$163[b]
Tasks Unlimited	17	1,113	2,508	----	----	-----	---	---	---
TOTAL	3,008			1,107			1,417		
AVERAGE		1,212	$1,806		946	$1,478		288	$241

SOURCE: Program Evaluation Division Analysis, January 1984.

[a]Worker hours are unavailable for these programs.

[b]Calculations are based on estimates of worker hours for 1983.

3. SUBSIDIES AS A MEASURE OF WORKER WAGES AND BENEFITS

When the Division of Vocational Rehabilitation funds sheltered workshops it subsidizes employment opportunities for handicapped workers. Although wages and benefits are subtracted out of a program's net cost and thus are not funded by the Division of Vocational Rehabilitation, to the worker they are the most tangible measure of benefit derived from the program. We therefore compared the amounts allocated by the Division of Vocational Rehabilitation per worker hour to average wages and benefits paid per hour to workers in each funded program.

We found that:

- DVR's allocations do not in any way reflect the wages paid to workers employed in the subsidized programs.

The Division of Vocational Rehabilitation funded a total of 63 sheltered workshop programs for 1984: 27 sheltered work programs, 20 work activity programs, and 16 work component programs. We calculated average wages and benefits per worker hour and Division of Vocational Rehabilitation subsidies per hour for 60 of these programs.[6] We compared the two sets of figures and found:

- In 43 out of 60 cases, the subsidy per worker hour exceeded the average wage and benefits per worker hour for that program.

As shown in Table 24, these differences were most significant for work activity programs. For example, in one instance the Division of Vocational Rehabilitation subsidy for a program was ten times greater than the amount paid to workers in that program. Thus, while the Division of Vocational Rehabilitation is subsidizing workshops which offer employment to disabled workers, the agency is not making an effort to measure the financial impact of the program on the workers.

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[6] Figures on worker hours for three programs were unavailable.

TABLE 24

DIVISION OF VOCATIONAL REHABILITATION SUBSIDY PER HOUR VS. AVERAGE WORKER WAGES AND BENEFITS PER HOUR FOR 1984

WORKSHOP NAME	SHELTERED WORK		WORK ACTIVITY		WORK COMPONENT	
	SUBSIDY PER WORKER HOUR	WAGE AND BENEFITS PER WORKER HOUR	SUBSIDY PER WORKER HOUR	WAGE AND BENEFITS PER WORKER HOUR	SUBSIDY PER WORKER HOUR	WAGE AND BENEFITS PER WORKER HOUR
Central Region						
Brighter Day Achievement Center	$2.88	$1.25	$3.49	$0.34	$1.43	$0.44
Functional Industries	1.31	1.48	1.10	0.74	0.99[b]	0.93[b]
Opportunity Training Center	3.23	2.58	2.45	1.60	0.69[b]	0.43[b]
West Central Industries	1.86	1.18	----	----	1.74	0.72
East Metro Region						
Goodwill Industries Twin Cities	$0.96[b]	$2.53[b]	$1.03[b]	$0.68[b]	----	----
Midwest Special Services	2.31	3.28	1.91	1.16	----	----
Minnesota Diversified Industries	1.43	2.20	1.13	0.90	----	----
Owobopte Rehab Industries	0.81	0.57	1.01	0.38	$1.09	$0.24
St. Paul Rehab Center	1.67	2.58	----	----	----	----
North Region						
C.W.D.C. Industries	$1.70	$1.80	$1.30	$0.70	$1.08	$0.38
Goodwill Industries Voc. Enterprises	2.58	1.83	0.67	0.36	0.39	0.21
Lake Region Rehab Industries	1.51	1.43	1.26	0.17	0.12	0.19
Occupational Development Center	1.61[a]	1.31[a]	2.40	0.39	1.44	0.72
Sheltered Employment Services	-----[a]	-----[a]	----	----	----	----
South Region						
Ability Building Center	$1.82	$2.54	$2.23	$1.04	$1.24	$0.64
Cedar Valley Rehab Workshop	1.22	2.05	----	----	0.32	0.35
Interstate Rehabilitation Center	2.05	2.02	0.93	0.65	0.61	0.43
Mankato Rehab Center	1.35	1.30	0.70	0.62	0.28	0.20
ORC Industries	0.73	1.32	1.54	0.37	1.93	0.69
Service Industries	1.69	1.60	1.89	0.82	----	----
The Achievement Center	1.58	1.91	----	----	2.51	0.90
West Metro Region						
Cerebral Palsy Center	$1.09[a]	$2.43[a]	$3.55	$0.68	----	----
Courage Center	-----[a]	-----[a]	----	----	----	----
Hennepin County Mental Health Ctr.	----	----	2.35	1.05	----	----
Jewish Vocational Workshop	1.47	1.53	----	----	----	----
Opportunity Workshop	1.90	2.09	3.56	0.83	----	----
Rise, Inc.	0.97	1.25	1.25	0.47	0.33[b]	----[c]
Tasks, Unlimited	2.25	4.15	----	----	----	----
AVERAGE	$1.68	$1.93	$1.79	$0.70	$1.01	$0.47

SOURCE: Program Evaluation Division Analysis, January 1984.

[a] Worker hours are unavailable for these programs.

[b] Calculations are based on estimates of worker hours for 1983.

[c] Wages and benefits are unavailable for this program.

D. SHELTERED WORKSHOP STATIONS FOR WELSCH V. LEVINE AND WAITING LIST WORKERS

In 1981, the Legislature appropriated $619,600 for 300 new sheltered work and work activity stations to be put into service during the 1982-83 biennium. These new stations were funded specifically for individuals affected by the Welsch v. Levine consent decree. This included mentally retarded persons who were either participating in developmental achievement center programs or who had been discharged from a state hospital subsequent to September 15, 1980. Under the terms of an interagency contract negotiated in 1981 between the Department of Economic Security and the Department of Public Welfare, the Division of Vocational Rehabilitation was responsible for allocating the new stations and the state funds used to subsidize them. The 1983 Legislature approved 300 additional Welsch v. Levine stations for the 1984-85 biennium. It also approved 200 new stations to accommodate individuals on waiting lists, i.e., persons who had received vocational evaluation services but had not yet entered a sheltered employment program due to a lack of space.

Any existing facility could apply to DVR for the available Welsch v. Levine and waiting list stations. Table 25 shows the levels at which DVR subsidized the new stations between 1982 and 1985.

TABLE 25

DIVISION OF VOCATIONAL REHABILITATION SUBSIDIES FOR WELSCH V. LEVINE AND WAITING LIST STATIONS

1982	$379 per quarter $ 60 station starting costs
1983	$430 per quarter $ 75 station starting costs
1984	$433 per quarter $ 0 station starting costs
1985	$410 per quarter $ 0 station starting costs

Source: Memorandum from Marvin O. Spears, December 29, 1983; General and Administrative Support Unit, March 5, 1984.

We examined DVR's allocation of state funds for new stations and found that:

- DVR set a flat rate subsidy for all new stations and did not consider how these stations were to be used.

Unlike existing stations funded by the formula, all new stations were subsidized at the same level. DVR did not consider whether the station would be used by a Welsch v. Levine or a waiting list client, or whether it would be used in a sheltered work or a work activity program.

- DVR subsidies for new stations are unrelated to subsidies for existing stations.

In 1984 DVR subsidized all new stations at $1,732 per year. Table 23 shows the 1984 allocations for existing sheltered work and work activity stations. While some workshops received comparable subsidies for new and existing stations, most did not. Some workshops agreed to provide new stations using a smaller state subsidy than had been allocated for existing stations. Other workshops received what amounts to a bonus subsidy with their new stations. The disparities in the subsidies show that DVR is inconsistent in its approach to funding.

For 1984, the Legislature appropriated funding for 275 new stations, with 165 designated as Welsch v. Levine stations and the remaining 110 as waiting list stations.[7] Allocation of these new stations by DVR was based on the geographic distribution of the disabled population.[8] DVR calculated that 3,543 or 64 percent of all existing stations were found in workshops outside the metropolitan Twin Cities, while 1,989 or 36 percent of existing stations were in metro area workshops. DVR estimated that in contrast to these figures, 45 percent of the disabled population resides in the outstate area, while 55 percent lives in the metro area. DVR administrators state that in order to begin to correct the geographic imbalance in the distribution of existing stations, 154 (56 percent) of the new stations were allocated to the metro area, while the remaining 121 (44 percent) were allocated to outstate workshops.

We found that:

- DVR's allocation of new stations has no impact on the geographic imbalance in the distribution of existing stations.

The allocation of new stations for 1984 brought the total number of stations in metro area workshops to 2,143 and the number for outstate area workshops to 3,664. DVR is correct that its allocation of new stations reflects the geographic distribution of the disabled population. However, the method by which DVR allocated new stations does not have a significant impact on the uneven distribution of existing stations. Metro area workshops still have 36 percent of the total number of stations, while outstate area workshops still have 64 percent of the stations.

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[7]These calculations are based on figures for the 1984 federal fiscal year.

[8]Memorandum from Marvin O. Spears to Wallace Bigelow, Executive Director of Ability Building Center, December 28, 1983, p. 3.

DVR allocated stations among the outstate regions based on economic factors in those areas. DVR administrators refer to Minnesota statutes which state that: "A long-term sheltered workshop shall supply. . . employment . . . during such time as employment opportunities . . . in the competitive labor market do not exist."[9]

The agency therefore developed the following formula to distribute stations among the three outstate regions:

$$\frac{\text{Percent of Severely Disabled in Area} + \text{Percent of Unemployed in Area}}{2}$$

Table 26 shows DVR's allocation of new stations and state subsidies for 1984. We examined Welsch v. Levine and waiting list stations allocated in 1984 and found that:

- DVR did not consider whether workshops were using existing stations effectively when it allocated new stations.
- DVR did not allocate the new stations for 1984 until December 1983, although the Legislature appropriated the funds as of July 1, 1983.

The Welsch v. Levine and waiting list stations were intended by the Legislature to serve two specific groups of handicapped persons. We found however, that DVR allocated new stations and additional subsidy monies based on geographic imbalances in the distribution of existing stations and used a formula which did not consider the unique needs of the persons to be served. In essence, DVR has simply used the state appropriation for Welsch v. Levine and waiting list persons as an additional subsidy to be distributed to sheltered workshops.

E. RECOMMENDATIONS

In this chapter, we have identified a series of problems with the way DVR allocates long-term sheltered employment funds. Under the current system, DVR

- favors workshops with high operating expenses;
- does not relate subsidy dollars to the number of work stations;
- does not relate the assignment of work stations to the number of worker hours;
- deviates from the statutory requirement that allocations be proportionate;

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[9]Minn. Stat. §129A.01.

TABLE 26

DIVISION OF VOCATIONAL REHABILITATION ALLOCATION OF NEW STATIONS AND SUBSIDIES FOR 1984[a]

WORKSHOP	Welsch v. Levine Stations	Waiting List Stations	Total Stations	Total Funding
CENTRAL REGION				
Brighter Day Achievement Center	0	0	0	-0-
Functional Industries	5	1	6	$ 7,223
Opportunity Training Center	9	1	10	11,028
West Central Industries	2	8	10	10,595
TOTAL	16	10	26	$ 28,846
EAST METRO REGION				
Goodwill Industries Twin Cities	16	0	16	$ 17,818
Midwest Special Services	0	1	1	1,709
Minnesota Diversified Industries	17	3	20	20,757
Owobopte Rehab. Industries	6	20	26	28,413
St. Paul Rehab. Center	0	0	0	-0-
TOTAL	39	24	63	$ 68,697
NORTH REGION				
C.W.D.C. Industries	4	10	14	$ 13,534
Goodwill Industries Voc. Enterprises	0	0	0	-0-
Lake Region Rehab. Industries	0	12	12	12,714
Occupational Development Center	16	0	16	18,251
Sheltered Employment Servic	13	0	13	17,021
TOTAL	33	22	55	$ 61,520
SOUTH REGION				
Ability Building Center	3	3	6	$ 8,089
Cedar Valley Rehab. Workshop	6	2	8	8,909
Interstate Rehabilitation Center	2	0	2	2,552
Mankato Rehab. Center	6	3	9	9,752
ORC Industries	4	2	6	6,357
Service Industries	3	3	6	6,357
The Achievement Center	0	3	3	2,962
TOTAL	24	16	40	$ 44,978
WEST METRO REGION				
Cerebral Palsy Center	10	0	10	$ 11,894
Courage Center	0	0	0	-0-
Hennepin County Mental Health Center	0	0	0	-0-
Jewish Vocational Workshop	5	6	11	9,27[illegible]
Opportunity Workshop	38	22	60	70,931
Rise, Inc.	0	10	10	11,461
Tasks, Unlimited	0	0	0	-0-
TOTAL	53	38	91	$103,559
GRAND TOTAL	165	110	275	$307,600

SOURCE: Federal Fiscal Year 1984 Long-Term Sheltered Work Expansion Stations, December 22, 1983. DVR, General and Administrative Support Unit.

[a]Figures used in this Table are based on the 1984 federal fiscal year.

- repeats historic inequities by adjusting the allocations to preserve the status quo;

- does not consider the effectiveness of the sheltered workshops in providing employment services; and

- does not provide incentives to workshops to help their workers move into more competitive work.

We think the state should view long-term sheltered employment as a service to be purchased for handicapped persons. DVR should be directed to use available funds to buy meaningful employment services rather than to provide a subsidy to sheltered workshops. In order to be a prudent buyer, DVR should measure the quality and effectiveness of the services it buys.

We therefore recommend that:

- The Legislature should amend Minn. Stat. Chapter 129A so that state funds for long-term sheltered employment are used to purchase services for handicapped persons and not just as a subsidy of the workshops.

- The Legislature should amend Minn. Stat. Chapter 129A to expand the definition of sheltered employment programs eligible for state support.

The current definition of qualifying programs does not reflect new and different approaches to providing employment for handicapped persons. For example, we think that state funds should be widely available to help pay for transitional programs of sheltered employment in community work settings.

- The Legislature should direct DVR to establish a new method for buying employment services for handicapped persons. Selection of vendors and the purchase price would be based on measures of program quality and effectiveness.

Quality and effectiveness of services should be evaluated by considering the following:

1) Type of program and service purchased for the worker. Traditional workshops currently offer workers three types of programs: sheltered work, work activity and work component. Appendix A describes programs which offer employment opportunities to handicapped persons in settings other than a workshop. DVR should purchase employment opportunities from vendors offering the program best suited to the needs of the worker, rather than limiting itself to long-term sheltered employment opportunities offered by workshops.

2) Amount of service purchased for the worker. Under the present system of funding, DVR allocates state dollars and stations to each workshop, without regard to measures of service. We feel that DVR should purchase services for handicapped workers in units of time. This could be accomplished by buying an employment opportunity on an hourly basis. Alternatively, if stations were tied directly to worker hours, DVR could purchase services for handicapped persons by paying for use of a station, or for a portion of the station.

3) Vocational outcome of the program for the worker. DVR should assign different prices to different sets of service. For example, it could view services differently for those workers who enter sheltered work programs on a long-term basis and those who enter on a transitional basis. Some vendors may choose to specialize in serving either long-term or transitional workers. Financial incentives should be offered to programs which, through added placement and job development efforts, successfully place workers in competitive employment, thus achieving the worker's vocational goal and opening stations for new workers. These incentives could include direct payments for specific outcomes, as is now done in Wisconsin.

4. Financial impact of the program on the worker. A worker should gain more from a job than financial remuneration. However, wages and benefits are the most tangible measure of a job's impact on an individual. In 1983, sheltered workers generated 43.5 percent of workshop revenue through sales and subcontract income. During the same year these workers received 17.3 percent of the workshops' expenditures as wages and benefits. We feel that in purchasing an employment opportunity, DVR should consider its financial impact on the handicapped individual. This should be reflected in the rate at which DVR pays for those services being purchased.

5) Cost of offering programs adapted to the needs of handicapped individuals. A work situation may require modification to suit the needs of the handicapped individual. This may include adaptations in the physical environment, provision of additional support services, or increased supervision. We feel that DVR should pay for services at a rate which considers the expenses incurred in accommodating the needs of the handicapped individual. In this way, DVR would offer a financial incentive to programs to provide service to severely disabled individuals who may be less productive or more difficult to serve than a moderately handicapped person.

While we feel that the present method of funding is clearly in need of change, we recognize that developing a new method will require effort and forethought on the part of DVR. We suggest two possible methods for distributing state funds, although there are other alternatives which should be considered.

In the first model, DVR would determine the rate it would pay for use of a station and would ensure that stations provided a uniform number of hours of service. The rate could then be adjusted to reflect expenses involved in operating the station, adaptations needed to accommodate the individual being served, and the wages and benefits paid to the worker. This model is very similar to the per diem system previously used to fund sheltered employment.

In the second model, funds would be distributed based on the cost of operating the program. However, DVR would establish criteria to measure the quality and effectiveness of the overall program. If a program met the guidelines specified by the agency, it would receive a full allocation. If a program fell short of DVR guidelines, it would receive a reduced allocation. Financial rewards could be built into the system to be paid to programs surpassing DVR goals. For example, a program which successfully placed more than its share of workers in competitive employment would receive additional funds. This model is closer to the existing subsidy system, but would make allocations more rational and would relate them to program effectiveness.

The Division of Vocational Rehabilitation is a buyer of services for handicapped persons. In this role, the agency should be prepared to measure the quality of services it purchases, and the effectiveness with which these services meet the needs of handicapped persons. State sheltered employment funds should no longer be viewed as subsidies for facilities. Instead, DVR should purchase services which have been measured from the vantage of the handicapped persons the agency hopes to serve.

IV. LEADERSHIP AND OVERSIGHT

The state Division of Vocational Rehabilitation played an important role in the development of the current network of sheltered workshops and rehabilitation services. It encouraged the development of rehabilitation services and made state and federal funds available to establish facilities. In this way, DVR helped to form the model of long-term sheltered employment programs which is dominant in Minnesota. We wanted to know how well DVR continues to exercise leadership in developing employment and training programs for handicapped persons.

We examined DVR's performance in four areas:

- funding programs;
- certifying workshops' programs;
- evaluating the performance of sheltered workshops; and
- providing leadership in developing different models of sheltered work and training for handicapped persons.

A. PROGRAM FUNDING

1. SHELTERED EMPLOYMENT SUBSIDIES

In 1983, DVR allocated nearly $7 million in long-term sheltered employment subsidies to sheltered workshops. Nearly all of those funds went to traditional workshop programs. DVR allocated only a small portion of the sheltered work subsidy ($143,000) to alternative programs which provide sheltered work in community settings, such as those operated by Tasks, Unlimited and Sheltered Employment Services.

Other community sheltered employment programs such as the ones operated by Rise, Inc. and Ability Building Center (ABC) do not receive a long-term sheltered employment subsidy. These programs help to provide a transition from sheltered work to competitive employment. ABC places about 25 sheltered workers in businesses in Rochester. This program was started in 1981 with the help of an establishment grant from DVR.

2. ESTABLISHMENT GRANTS

DVR provides establishment grants to workshops and other vendors for innovative services, for adding to staff, or for buildings and equipment. The grantee provides 20 percent of the money and

the federal government the other 80 percent. In 1981, DVR distributed $186,000 in grants to nine workshops. During 1983, DVR received requests for more than $600,000 in grants and eventually awarded about $200,000 in grants to twelve workshops. These sums are quite small compared to the amount of money (more than $9 million in 1983) that DVR puts into the workshops in client fees and long-term sheltered employment subsidies.

We reviewed the establishment grants which DVR awarded in 1983. To distribute the 1983 grants, DVR solicited proposals from workshops and other rehabilitation vendors. The request for proposals listed three priority areas for grants: helping workshops to run more efficiently; helping to increase the movement of sheltered workers into competitive employment; and enhancing financial and program cooperation between workshops and other agencies serving handicapped persons. These proposals were then reviewed and rated by faculty members at the University of Wisconsin--Stout and by DVR field staff. DVR's administrators then decided who would receive the grants.

We reviewed the 1983 proposals that were funded and found that DVR funded a mix of projects. Table 27 lists the grants awarded. Four proposals were to help workshops continue existing programs but to make them more efficient. For example, one workshop received money for equipment to improve the efficiency of its packaging operation because it could not compete successfully with industry or with other sheltered workshops.

Other grants were for equipment or staff to expand skill training programs in areas such as janitorial service and to provide sheltered work in computer data entry. In each case, the workshop proposed to buy new equipment and to run the program in its own facility. None of the funded proposals would have used existing equipment or work sites in local industry.

B. ACCREDITATION

Sheltered workshops which request program funding from the Minnesota Division of Vocational Rehabilitation must meet certification requirements. Through 1983, DVR reviewed and certified workshops based on standards stated in administrative rules (EDU 492) and in its Certification Standards Manual. Certification reviews were conducted by DVR facilities specialists and DVR area management specialists every two years. Those surveys concentrated on whether the facility met health and safety standards, whether personnel policies were in place, and whether the governing board was appropriately elected and was broadly representative of the community. DVR did not independently verify compliance with United States Department of Labor regulations governing minimum wage waivers. It did confirm that the required certificates and documentation were on file.

TABLE 27

1983 ESTABLISHMENT GRANTS TO SHELTERED WORKSHOPS

Workshop	Grant Amount	Purpose
Ability Building Center	$ 9,122	Staff and equipment for skill training in hotel housekeeping.
Cedar Valley Rehab Workshop	5,200	Equipment--industrial air compressor and meat casing clipping machines.
Goodwill Industries Voc. Enterprises	10,400	Staff--market development analyst for northern area marketing corporation.
Goodwill Industries Twin Cities	10,612	Equipment--seven new cash registers for use in skill training program.
Interstate Rehabilitation Center	16,000	Staff--job development specialist to develop six to eight sheltered stations in industry.
Mankato Rehab Center	31,030	Staff and equipment--sheltered work for multi-handicapped persons to use microcomputers for data entry; six work stations.
Minnesota Diversified Industries	36,600	Staff--trainers for electronic manufacturing work.
ORC Industries	18,800	Equipment and staff for janitorial service; ten work stations.
Opportunity Workshop	18,400	Staff--coordinate extended employment opportunities outside workshop; move up to 25 people from sheltered work or work activity.
Sheltered Employment Services	10,720	Equipment and staff--lease computer for payroll and bookkeeping, and hoist to increase storage space at a DAC.
St. Paul Rehab Center	12.700	Equipment--die cutting machine.
West Central Industries	17,676	Equipment--scales, work tables, conveyor for packaging operation.
TOTAL	$196,460	

In September 1982, DVR announced that workshops which wanted state funds would have to be accredited by July 1984 by an appropriate national body, such as the Commission on Accreditation of Rehabilitation Facilities (CARF). All aspects of the facilities programs funded with state long-term sheltered employment funds (sheltered work, work activity, and work component) would require accreditation.

In 1982, only eight of the workshops were accredited by CARF. DVR promised to reimburse facilities which were not already accredited for the cost of the initial accréditation review, which has been estimated to cost between $2,000 and $4,000, depending on the size of the facility and its programs. The cost includes a $200 application fee and $490 per surveyor per day. The survey is typically conducted by a two-person team that spends one and one-half days at the facility. Prior to the surveyors' visit, the facility completes a self-evaluation and prepares documents for review by the surveyors.

DVR also published a timetable showing when it expected unaccredited facilities to complete the necessary surveys. DVR conducted workshops on how to meet accreditation requirements and awarded a $5,000 grant to the Minnesota Association of Rehabilitation Facilities (MARF) to provide technical assistance to workshops. MARF members who are qualified as CARF surveyors conduct a review of the facility prior to the CARF survey in order to identify areas requiring attention.

As of January 1984, 12 of the 28 workshops had been accredited by CARF. While full accreditation is good for a three-year period, CARF will sometimes grant a one-year accreditation to a facility which has significant deficiencies in compliance with standards. One Minnesota workshop received a one-year accreditation and must complete a second review in May 1984. The other workshops are scheduled to be surveyed before June 30, 1984, although the survey reports and recommendations may not be completed by that time. DVR staff members do not expect any of the facilities to have difficulty in meeting the CARF standards.

If a workshop is surveyed by CARF, but does not receive accreditation, DVR will continue to refer clients and pay for programs so long as the workshop is working toward correcting deficiencies found in the accreditation survey. If a workshop does not apply for accreditation or does not successfully complete a resurvey, then DVR says it "will cease doing business with that facility until accreditation is achieved."[1]

We asked why DVR decided to require CARF accreditation. According to DVR staff members, DVR's own standards, which were published in 1979, had not been carefully reviewed in some time and needed to be updated. CARF regularly reviews its standards and revises them as needed. Also, the dual role of DVR as a funder and advocate of workshops and their programs and a surveyor and regulator was uncomfortable for DVR and confusing to the workshops.

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[1]Memo from Marvin Spears and Bob O'Connor, September 16, 1982.

DVR will continue to review workshops for compliance with DVR standards not already covered by the national body. That apparently involves only one issue: in the case of a facility that is certified by CARF, DVR will review whether the governing board of the facility meets the requirements of Minn. Stat. Chapter 129A by being broadly based in the community and elected for terms of office. DVR will confirm this through a review of reports submitted by the workshop and not by a site visit. DVR plans site reviews to verify implementation of new grievance procedures and benefit policies.

There are at least two other standards in the DVR manual that are not covered by CARF. These require that wages paid to sheltered workers represent 40 to 60 percent of contract income, and that contracts and sales income amount to at least 40 percent of sheltered work program income. Although these standards are easily met, DVR has no plans to continue to survey facilities for compliance.

There are no CARF standards which specifically address work component programs, which are cooperative ventures between sheltered workshops and developmental achievement centers. A 1982 DVR task force report recommended that the agency develop specific standards in administrative rules for work component programs. To date, DVR has not acted on that recommendation.

An issue addressed in DVR's certification manual is whether buildings and bathrooms are accessible to the handicapped, or whether there are physical barriers. According to the 1982 survey of sheltered workshops conducted by the Developmental Disabilities Planning Council, many of the workshops in the state are in buildings that are only partially or not at all accessible to persons using wheelchairs or having other mobility problems. Many facilities operate in several buildings, including warehouses. DVR says it has not certified workshops whose buildings were completely inaccessible, but has certified workshops for marginal compliance with that standard. Although architectural accessbibility for each person admitted for services is a basic criteria for CARF accreditation, there is no standard of architectural accessibility referenced in the CARF standards manual. Surveyors inspect facilities for accessibility during the site visit, though not in detail. A deficiency in accessibility, by itself, is not grounds for withholding CARF accreditation.

In the past, DVR has not denied certification to facilities for noncompliance with standards. It has issued probationary certifications and required repair or correction of cited violations of standards, such as inadequate equipment safety or incorrect election of board members. DVR has certified and provided funding to workshops whose compliance with certain standards was only marginal at best.

CARF standards are largely oriented toward program inputs, such as whether facilities have appropriate staff and procedures and policies in place. They do not examine outcomes. For example, CARF standards require that each facility periodically evaluate employees in a sheltered work program to assess their potential for community job placement, and, if indicated, to make appropriate

referrals for additional evaluation, training, or placement services. However, CARF does not evaluate a facility's performance to measure how often such placement does occur.

We reviewed the CARF survey reports for three sheltered workshops. One of the workshops pays the lowest average worker wages in the state. However, the CARF survey report for that workshop did not mention wages paid. It did commend the facility "for managing its fiscal affairs in accordance with sound business practices and consistent with the purposes of the facility."

C. EVALUATION

DVR's rules for long-term sheltered employment programs call on the agency to evaluate applications for funding "to determine the feasibility and effectiveness of the proposed and existing program in achieving the purposes of the act . . ."[2] If, as occurs every year, available funds are insufficient to support the approved plans and budgets of all workshops, DVR's rules say that priority should be given based on several factors, including the effectiveness of the workshops' programs.

DVR believes that its rules do not require it to evaluate the effectiveness of individual workshops when it allocates state program subsidies. Consequently, it does not. As we saw in Chapter III, DVR allocates the long-term sheltered employment subsidies to meet several different goals, none of which is related to measurements of program effectiveness.

Indeed, DVR does very little formal evaluation of the sheltered workshops that it funds. The regular certification survey gave DVR an opportunity to enter the workshops and formally review certain aspects of their programs. With the switch to CARF accreditation, DVR staff will no longer conduct similar periodic site reviews. Besides, as we noted above, both CARF and DVR standards are largely input oriented; neither has much to say about measuring outcomes of programs.

DVR requires little reporting by workshops about the effectiveness of their programs. For example, the sheltered workshops are required to report to DVR each quarter on the movement of individuals in and out of the workshops, including the number of sheltered workers placed in competitive employment. However, since these persons are no longer DVR clients, DVR does not collect information about the individuals who move into competitive jobs in order to know what their handicaps are, the kinds of occupations in which they are placed, or what their earnings are. DVR does not collect information about the business success of workshops and whether sufficient work is available for sheltered workers or whether the workshops are experiencing down time and reduced work hours. It

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[2]EDU 488 (8 MCAR §4.0088).

does not ask workshops to report on the productivity or wages of individual workers. Until 1984, DVR did not require workshops to report on grievances filed by sheltered workers and the resolution of these grievances.

DVR makes little use of evaluation material that is available to it. For example, both CARF and DVR standards require workshops to maintain internal program evaluation systems to measure the effectiveness of programs. Some workshops have developed a strong evaluation capability. We saw sample reports from four workshops which take evaluation seriously and share copies of their reports with DVR. We saw no evidence that DVR uses these reports in funding or program decisions for sheltered employment.

One way in which DVR informally evaluates workshops is by listening to the comments of its own counselors who purchase client services such as work adjustment training from workshops. In the metropolitan Twin Cities area, a counselor who is dissatisfied with services provided by one workshop can usually send clients to a different facility. Such choices are usually not available in outstate areas where a dissatisfied counselor may only be able to raise concerns with his supervisors and discuss with the workshop how these concerns can be resolved.

However, DVR counselors typically have little contact with persons who have been in sheltered work or work activity programs for more than one year, since these persons are no longer DVR clients. Some never were DVR clients, because they were placed in the workshop programs through a county social service agency or other referrals. Thus it is unlikely that these counselors would be a source of useful information about the effectiveness of these long-term programs.

D. POLICY AND PROGRAM LEADERSHIP

Our study identifies serious problems with the traditional model of sheltered employment. DVR has an important role to play in encouraging the development of different models of sheltered employment and job training for handicapped persons. One purpose of sheltered work is to provide transitional employment for those handicapped persons who are not ready for competitive jobs because they are not yet productive or skilled enough. If there is to be any chance of sheltered workers actually moving into more competitive jobs, workshops should provide training and work experiences that are designed to correct work deficiencies and prepare individuals for jobs that are readily available outside of the workshops.

As we saw in Chapter II, sheltered employment does not serve its purpose of transitional employment well because few handicapped individuals graduate from sheltered employment into competitive employment. The traditional practice of referring handicapped persons for vocational evaluation and work adjustment training also does not work well because it predictably leads to long-term sheltered

employment. One barrier to movement into more competitive work is that workshops train their workers to do jobs that are not widely available in competitive employment. Companies subcontract work to sheltered workshops because they cannot do that work economically while paying minimum wage or more.

In our view, the outlook for the traditional model of sheltered employment is poor. Most of the traditional workshops in Minnesota provide assembly and light manufacturing work that takes place within the four walls of the workshop. These workshops have found that the demand for such work has declined in recent years. During difficult economic periods, such as the 1982-83 recession, most workshops reduced their working hours because they could not secure enough contracts. Workshops are finding that they cannot compete successfully with companies who do the same packaging and assembly tasks with high speed machinery. Furthermore, they are finding it more difficult to compete against each other for the same subcontract work.

Thus, workshops are faced with two problems. While demand declines for the work that workshops do best, employers are not looking for the job skills that sheltered employees possess. How do workshops respond to these challenges? Many take the view that the solution lies in additional investment in buildings and equipment so that they can bid on contracts for new kinds of work. Since many workshops do not accumulate the capital necessary for such expansion, it is likely that the state will be asked to help fund such projects.

How does DVR respond to these challenges? The agency publicly acknowledges the need for changes in the service system and the workshops. Indeed, DVR's plans and reports for the past five years are quite clear on that point. However, the agency's record of performance demonstrates a preference to preserve the status quo. It spends the bulk of its money to subsidize the operations of traditional workshops and does little to encourage workshops or other vendors to explore alternate models of service.

Employment and training programs for handicapped persons should identify those jobs for which demand is expected to be high in the next five to ten years. These programs should then consider what is needed to prepare handicapped persons for those jobs. For example, the U.S. Department of Labor projects that "industries such as medical care, business services, professional services, hotels, personal services, and nonprofit organizations are expected to account for more than 1 of 3 new jobs" between 1982 and 1995.[3] Growth in service industries is expected to add nearly 8.6 million new jobs in the United States in that period. Most of these new jobs will not take place within the four walls of a sheltered workshop. At the same time, growth in labor-intensive assembly and light industrial jobs--the primary sources of traditional sheltered work--will be much smaller.

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[3]Valerie Personick, "The Job Outlook Through 1995: Industry Output and Employment Projections", Monthly Labor Review, November 1983, p. 24.

E. RECOMMENDATIONS

The Division of Vocational Rehabilitation helped to establish the state's rehabilitation facilities and to extend traditional sheltered work programs throughout the state. However, DVR has never put much effort into evaluating sheltered workshops and measuring how handicapped persons are affected by their programs. In the past few years, while state spending for work programs for handicapped persons has grown, DVR has reduced its own involvement in overseeing the programs. It has discontinued its periodic site reviews and has deferred responsibility for accrediting facilities to a national body.

While we have encouraged the development and use of alternatives to traditional sheltered employment programs, we agree that the traditional models are still appropriate for some handicapped persons. We are confident that the state will want those programs to continue and will provide financial support in the future. However, DVR should assume a more active role in ensuring that these programs provide quality services to handicapped persons.

In Chapter III, we recommended that the state view sheltered work as a service it buys on behalf of handicapped persons. In order for the state to be a prudent buyer of services, it needs to monitor program effectiveness on a regular basis. In that way, it can choose among different vendors of service and better match individual needs to available services.

We recommend that:

- The Legislature amend Minn. Stat. Chapter 129A to direct DVR to develop a regular system of monitoring and evaluation of sheltered workshops and other vendors of employment and job training for handicapped persons.

- DVR should develop standards of program effectiveness for sheltered employment programs.

- DVR and the Department of Public Welfare should produce and implement program standards for work component programs.

These standards should measure the quality of sheltered employment and training programs for handicapped persons. Through these standards, DVR should evaluate program effectiveness from the state's perspective as a purchaser of services and from the worker's point of view as a consumer of services. To help it develop a system of effectiveness standards, DVR should build on the work that has already been performed by those workshops who have developed strong, internal program evaluation systems.

In the past, DVR has been uncomfortable with its dual role of funding workshops and overseeing their programs, and has chosen to limit its monitoring function. If it is to effectively implement the recommendations in this report, DVR must demonstrate its commitment

to both responsibilities: to fund workshops and to oversee their effectiveness. If it is unwilling or unable to fulfill both, the Legislature should consider transferring one or both of these responsibilities to other agencies.

- DVR should continue to require CARF accreditation of sheltered workshops.

CARF accreditation is still useful to the state and to workshops because it measures whether certain aspects of the program are in order. Accreditation is also a sign of prestige for workshops. However, it must be clearly understood that CARF reviews are supplementary to state oversight because they do not cover measures of effectiveness or other aspects of sheltered work programs that the state is concerned about.

APPENDIX A

NON-TRADITIONAL TRAINING AND WORK PROGRAMS FOR HANDICAPPED PERSONS

In Minnesota, a primary source of vocational rehabilitation and employment services is the traditional sheltered workshop. Through our research we have identified a number of problems with this model:

- Sheltered employment is intended to provide work to handicapped persons as they progress toward competitive employment or when competitive job opportunities do not exist. However, most workers remain in sheltered employment and do not graduate into the competitive job market.

- Sheltered workshops attempt to provide vocational and non-vocational services to the handicapped person. As workshops become increasingly involved in the social and personal aspects of their client's lives, a dependent attitude is fostered in the handicapped individual.

- Sheltered workshops offer all programs and services within the walls of their facilities. This approach discourages the use of generic services which would require the handicapped person to integrate with his non-disabled peers.[1]

- Sheltered workshops tend to rely on assessment procedures to determine the employability of clients. These tools do not necessarily consider the interests or wishes of the client.

- Sheltered workshops operate as providers of rehabilitation services rather than as employers, offering work environments which do not duplicate the competitive job market.

- Sheltered workshops emphasize assembly and packaging tasks for their workers. These skills do not prepare handicapped workers for specific jobs which are available in the competitive market.

This appendix describes a number of programs in Minnesota and other states which attempt to address these concerns. While the following is not an exhaustive listing of all alternative programs, we hope to acquaint the reader with some of the non-traditional models which are currently being implemented.

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[1] Generic services are resources which are available to the general population, as opposed to categoric services which are developed to serve a particular disability group.

The Ability Building Center (ABC) in Rochester, Minnesota offers an alternative program in conjunction with its traditional sheltered workshop services. ABC's Community Sheltered Employment Program arranges for sheltered work stations based in local businesses. Employers are expected to provide full or part-time jobs, including wages and benefits for probationary periods of one to three months. In return, ABC program coordinators assist employers in modifying jobs to suit the needs of handicapped individuals and in obtaining subminimum wage certification. Coordinators also provide on-the-job training and follow-up services as needed by workers. During 1983, this program placed over 20 persons in local businesses in the Rochester area, including fast food chains, retail stores, and a local day care center. Community work stations are supported by United Way and county funds, but do not receive a state subsidy through DVR.

Minnesota Diversified Industries (MDI) of St. Paul, Minnesota is a sheltered workshop which is operated as a business. New employees are accepted at MDI only if a realistic employment opportunity can be provided and when the client expresses a desire to become productive and self-sufficient. Employees are paid a commensurate wage which reflects their job performance, and receive benefits similar to those provided in business and industry. MDI employs non-handicapped persons who are model workers for handicapped individuals and who enable the workshop to undertake subcontract work which requires more skilled labor than is generally available in sheltered workshops.[2]

Rise, Inc. of Spring Lake Park, Minnesota offers the programs of a traditional sheltered workshop in conjunction with a number of alternative services which include:

- The vocational skill training program offers community based training and work experience to prepare the handicapped person for competitive employment in a specific occupation.

- The job placement program offers the handicapped person counseling services, training in job seeking skills, assistance in locating appropriate job openings, and follow-up services for the first 90 days of employment.

- The community supported employment program offers close supervision in job preparation and development, and provides long-term follow up for severely handicapped individuals placed in community based jobs. The services offered in this program are more intensive than those which are available in the job placement program.

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[2] In 1983, 320 handicapped workers and 140 non-handicapped workers were employed at MDI.

- The supported sheltered employment program serves persons with stable work attitudes and behavior who remain unemployed due to problems with work speed or job flexibility. This program arranges sheltered work stations at a community industrial site. Employment in this setting offers sheltered workers the opportunity to interact and work with their non-disabled peers while receiving ongoing training and supervision from Rise personnel.

- The Prevocational and Social Services Program, funded by the McKnight Foundation, serves adults with chronic mental health disorders. This program, cosponsored by Rise, Inc. and Anoka County, offers closely supervised subcontract work, on-the-job training, and support services designed to ease the client's adjustment to community living.

Sheltered Employment Services (SES), located in Brainerd, Minnesota, was established in 1976. SES operates as a vendor of vocational services for handicapped persons and receives fees for specialized placements and related services. Clients are placed in community based jobs rather than in traditional workshop settings. The programs offered by SES include:

- The Home Industries program, still in the beginning stages, serves homebound physically disabled and mentally handicapped persons. SES offers skill training, materials and patterns needed to work at home, and assistance with the sale of products.

- The specialized placement service program assists handicapped persons in finding and maintaining suitable competitive employment. This program provides training in job seeking skills and follow up services once a job has been secured.

- The Workers' Compensation Program places recipients of workers' compensation back into the work force and provides ongoing support services to these persons.

- The Cooperative Work Program began in response to the Welsch v. Levine consent decree. This program provides supervised work for low-functioning persons, such as lunch preparation for local day care centers and janitorial services. In addition, the program arranges subcontract work designed to train handicapped persons for community placement.

Tasks, Unlimited based in Minneapolis, Minnesota, provides long-term residential and vocational services to the chronic mentally ill. An admissions committee composed of Tasks, Unlimited staff and community representatives determines eligibility for the program. Approved clients are admitted to the Fairweather Training Center for work evaluation and work adjustment training. Work evaluation consists of a three week assessment of work-readiness and work skills. During work adjustment training, clients receive instruction

in areas of deficiency. Successful completion of work adjustment training indicates readiness for placement in competitive employment or in a lodge. Lodges are group living situations in which residents assume responsibility for their household and financial activities. Tasks, Unlimited provides lodge residents with job training services, janitorial employment opportunities, and supervision. Lodge residents are evaluated monthly for social and occupational progress. Tasks, Unlimited leases vans to the lodges to transport residents to and from work, and collaborates with residents in planning social and recreational activities.

The Community Work Training Program, a pilot project funded by the McKnight Foundation, is administered by the Metropolitan Health Planning Board's Developmental Disabilities Program. This project is modeled after Vocational Education Alternatives of Wisconsin (described below). The goal of the project is to select, place, and train 30 individuals in community job sites, rather than maintaining them in developmental achievement centers or other day program settings. The Community Work Training Program is being implemented in conjunction with Dakota and Ramsey counties, the Kaposia Developmental Learning Center, Dakota County Developmental Learning Center, and the McDonnell Developmental Achievement Center.

The project employs resource developers who are responsible for 1) working with community businesses to identify potential work sites, 2) assisting potential employers to prepare for handicapped workers, 3) providing assessment and counseling services to handicapped individuals, and 4) training clients in job-related skills. The responsibility for follow-up services is transferred initially to a training aide and finally to the handicapped individual's employer. Reports on cost analysis and program impact are included in the project activities and should be available at the end of 1984.

The Developmental Learning Center, Inc., (DLC) in Mendota Heights, Minnesota, has launched a pilot project designed to bring severely handicapped persons back to their home communities for day programs. The project identifies generic services which can be used to teach social skills to handicapped persons, and secures volunteer or paid jobs in the community. Examples of jobs include work in the administrative office of the DLC, local churches, and the Dakota County Government Center.

Vocational Education Alternatives (VEA), in Madison, Wisconsin, began operation in 1980. This agency provides vocational opportunities in non-sheltered work settings to developmentally disabled persons. VEA is particularly committed to serving severely handicapped students from local secondary schools by designing and implementing vocational transition plans for them. Job skill training offered through VEA is suited to the client's career preference, rather than being based on formal assessment scores. VEA uses generic agencies and resources to provide necessary support services (including the area technical college, job services, DVR, public schools, the literacy center, and public transportation). VEA provides training and supervision to handicapped workers placed in

competitive jobs. Depending upon the needs of the worker, supervision may be as minimal as a weekly spot check at the work site, or as intensive as 4-6 weeks of on-site supervision. Severely handicapped persons who require continuous supervision are placed on an unpaid basis in a group site, such as a hospital or office building. A VEA trainer remains at the site for a period of 3-4 months, providing direct training and supervision. University practicum students may eventually replace the trainer on a day-to-day basis, however, the trainer retains primary responsiblity for the handicapped workers.

VEA has received attention for successfully placing disabled individuals in competive employment at a relatively low cost. For 1982, VEA calculated a per client cost of $726, as compared with an average of $3,500 spent per person in a traditional day program.[3] Cost-effectiveness is attributed to three factors: 1) VEA does not operate a large facility as sheltered workshops do, 2) VEA uses generic resources and community based programs with the private sector absorbing much of the expense, and 3) VEA offers only services related to job placement.

The Employment Training Program of the University of Washington, which started in 1975, enables mentally retarded adults to secure and maintain jobs in the private sector. This is accomplished by training clients to work in food service operations, washing dishes or bussing tables. Job training is conducted at two cafeteria sites located on the university campus. Trainees must fulfill employment criteria at both training sites within one year of entering the program in order to be eligible for placement in a competitive job.

The competively employed trainee receives support services from a placement trainer. On the first day of the new job, the trainer works in the handicapped person's place. This enables the trainer to analyze the job and to reach an agreement with management regarding any necessary adaptations in the job. On the second day, the handicapped person is introduced to the job and works under the supervision of the trainer for a week or two. During the next 2-4 weeks, the trainer gradually withdraws from the job site and by the end of 30 working days is completely phased out of the job.

As of May 1983, 138 individuals had enrolled in the Employment Training Program with 85 persons entering competitive industry. The cost of training a handicapped person in this program is approximately $7,000, with follow-up costs averaging $200 to $300 per client per year.

The Rehabilitation Research and Training Center (RRTC) of the Virginia Commonwealth University, which started in 1983, does research and training related to the competitive employment of mentally retarded persons. The center offers internships to counselors, facility personnel, educators, and service providers in areas such

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[3]VEA has not calculated a per client cost for individuals who were trained and competitively placed.

as placement, job-site training, and follow up. RRTC also offers an informational newsletter, parent education courses, videotapes, workshops, and technical assistance for to selected facilities and placement programs. Additionally, the center has developed and implemented a supported work model which provides on-the-job training and follow up for mentally retarded workers. This model includes: 1) placement into real jobs with no subsidy following the worker, 2) job site training in which the mentally retarded person receives 3-26 weeks of individualized direct training, and 3) case manager and social work follow up for a period of six to eight months. RRTC recently received a U.S. Department of Education grant to train severely physically handicapped youths (ages 13-21), in vocational skills which will lead to job placement in high technical industries.

Other alternative models include Goodwill Industries in Denver, Colorado, which has applied Bernstein and Ziarnik's proactive approach addressing the development of effective staff skills rather than emphasizing client skills. A number of reports by G. Thomas Bellamy et al., of the University of Oregon discuss problems with traditional sheltered workshops and day activity programs. Bellamy offers an alternative vocational model which would enable severely handicapped persons to participate in training and employment opportunities. The author also discusses the need for sheltered workshops to differentiate between transitional short-term services leading to competitive employment, and long-term structured employment.

It is important to note that the programs described above represent efforts made during the past two decades or less. Because many of these services and programs are still in the beginning stages, it is difficult to assess their long-term impact on the vocational field, or their overall success in working with handicapped persons. However, these programs clearly represent viable alternatives to the traditional sheltered workshop model, and an attempt to rectify some of the problems inherent in that system.

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APPENDIX B

1. DIVISION OF VOCATIONAL REHABILITATION

   a. Organizational chart

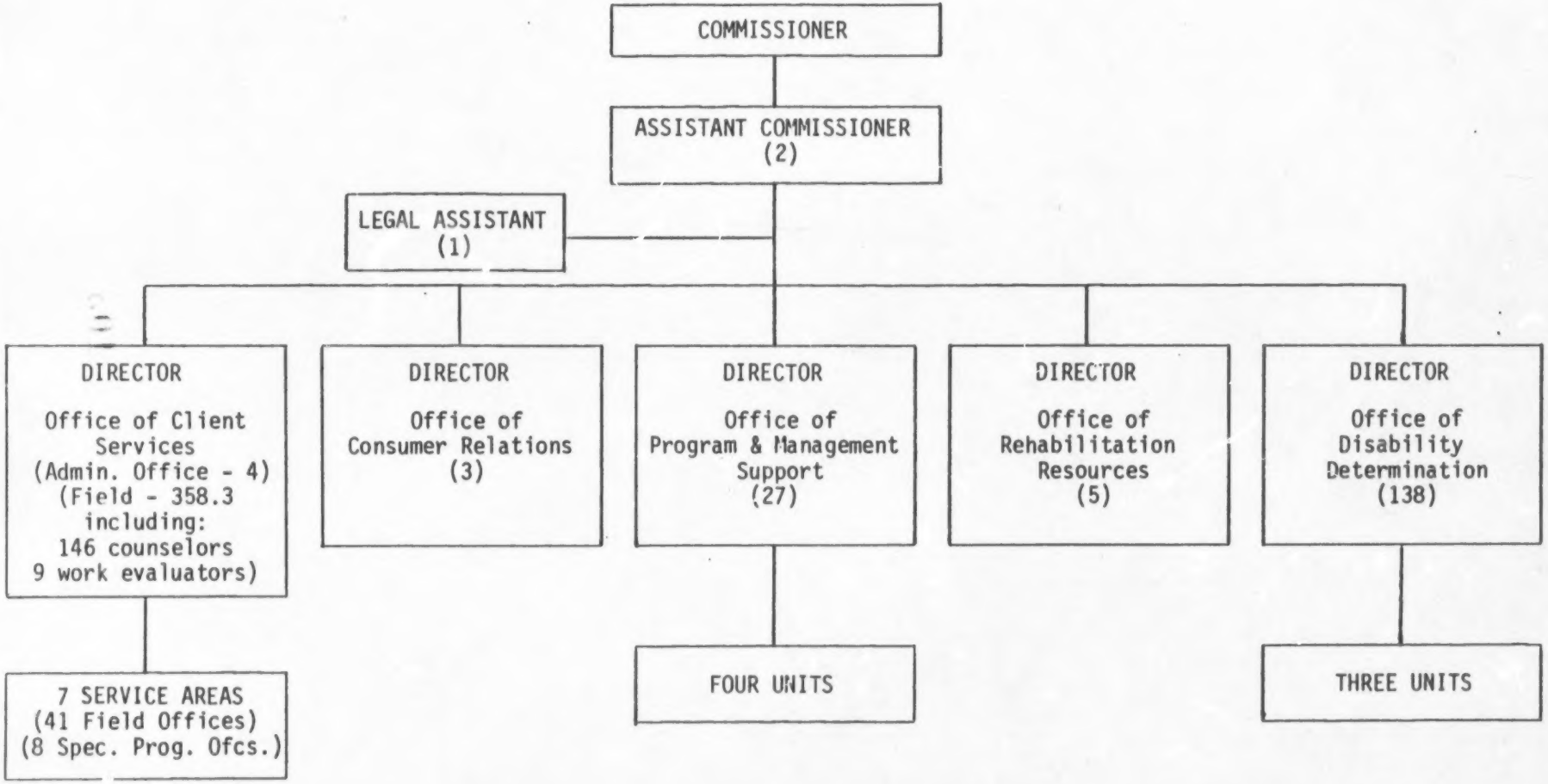
   b. Map of service regions and sheltered workshop locations

2. DIVISION OF SERVICES FOR THE BLIND AND VISUALLY HANDICAPPED

   a. Organizational chart

   b. Map of service regions and sheltered workshop locations

MINNESOTA DEPARTMENT OF ECONOMIC SECURITY
DIVISION OF VOCATIONAL REHABILITATION

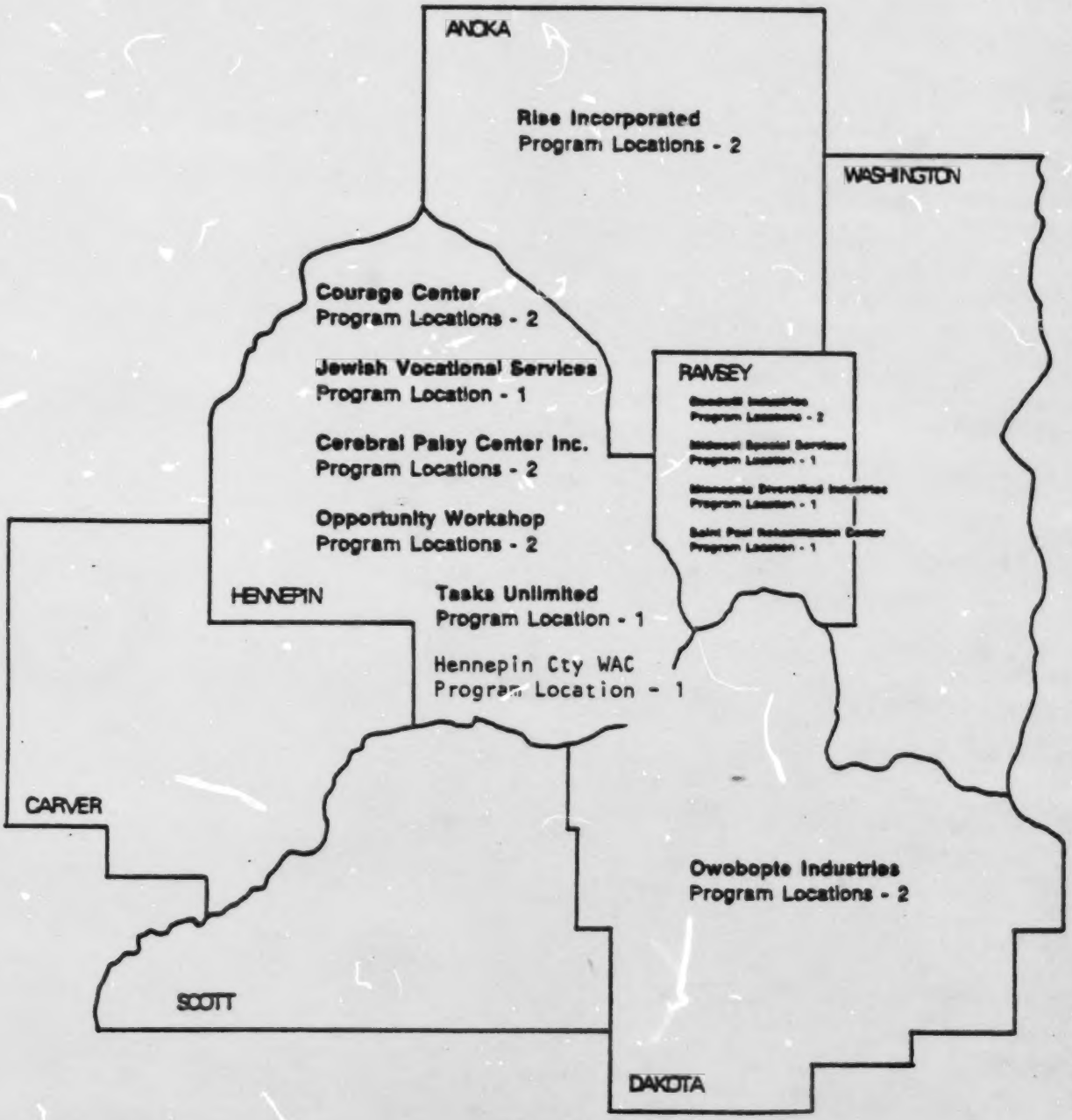


Source: Division of Vocational Rehabilitation, 1984.

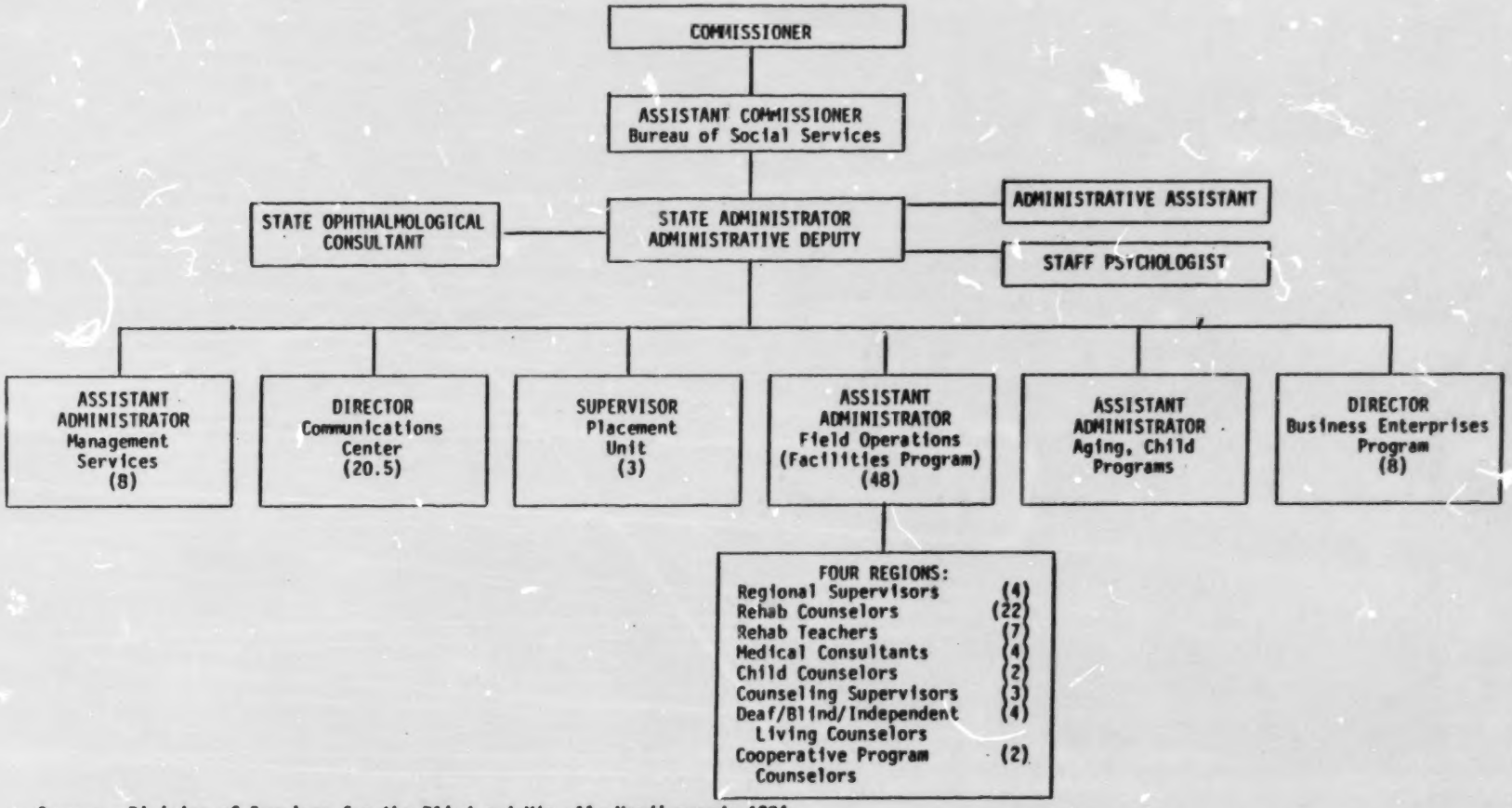
SHELTERED WORKSHOPS IN DIVISION OF VOCATIONAL REHABILITATION
NORTHERN, CENTRAL AND SOUTHERN SERVICE REGIONS

Source: Division of Vocational Rehabilitation, 1984.

SHELTERED WORKSHOPS IN DIVISION OF VOCATIONAL REHABILITATION
METROPOLITAN SERVICE REGIONS

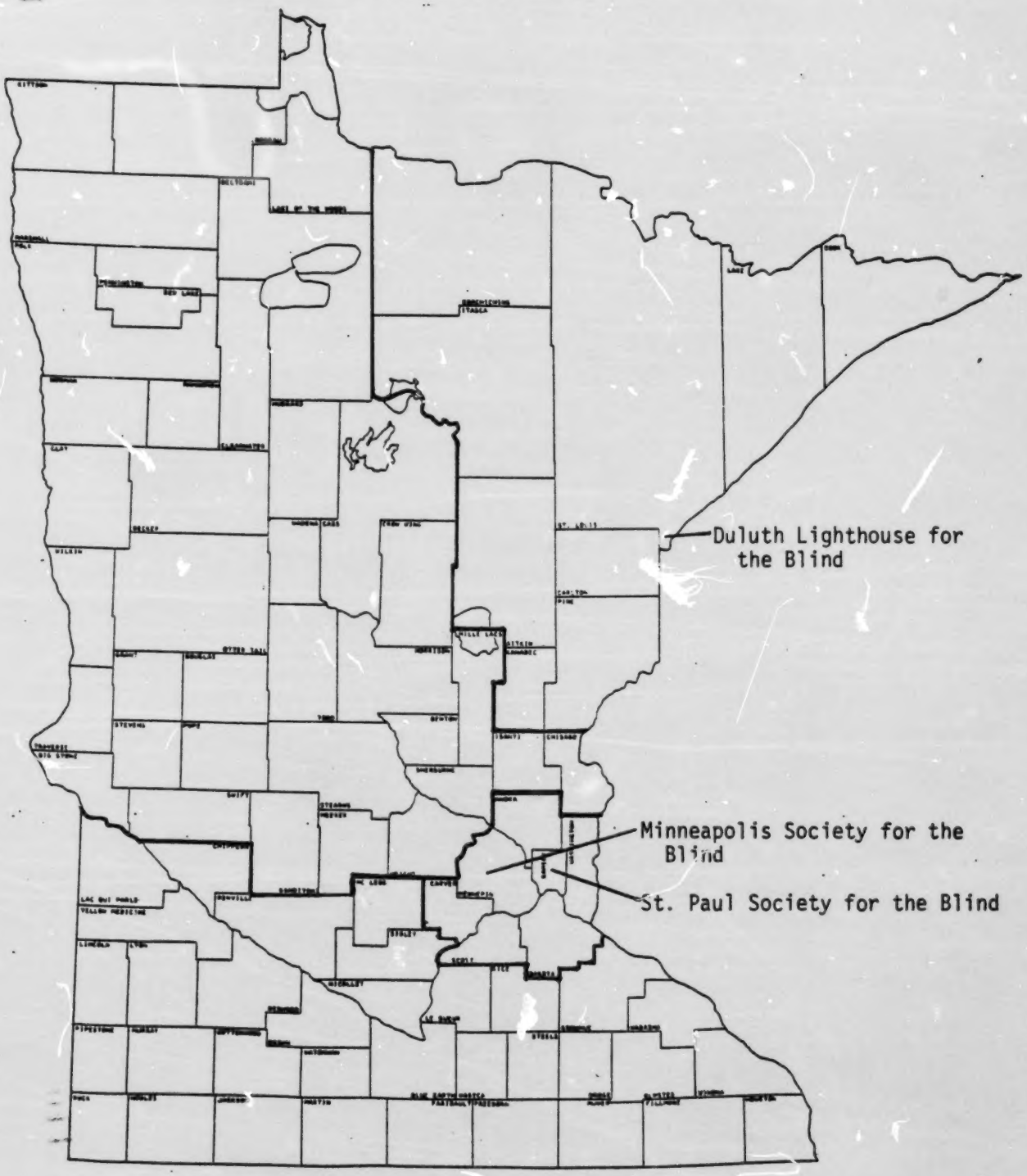


MINNESOTA DEPARTMENT OF PUBLIC WELFARE
DIVISION OF SERVICES FOR THE BLIND AND VISUALLY HANDICAPPED



Source: Division of Services for the Blind and Visually Handicapped, 1984.

DIVISION OF SERVICES FOR THE BLIND AND VISUALLY HANDICAPPED
SERVICE REGIONS AND SHELTERED WORKSHOPS



Source: Division of Services for the Blind and Visually Handicapped, 1984.

STUDIES OF THE PROGRAM EVALUATION DIVISION

Final reports and staff papers from the following studies can be obtained from the Program Evaluation Division, 122 Veterans Service Building, Saint Paul, Minnesota 55155, 612/296-8315.

1977

1. Regulation and Control of Human Service Facilities
2. Minnesota Housing Finance Agency
3. Federal Aids Coordination

1978

4. Unemployment Compensation
5. State Board of Investment: Investment Performance
6. Department of Revenue: Assessment/Sales Ratio Studies
7. Department of Personnel

1979

8. State-sponsored Chemical Dependency Programs
9. Minnesota's Agricultural Commodities Promotion Councils
10. Liquor Control
11. Department of Public Service
12. Department of Economic Security, Preliminary Report
13. Nursing Home Rates
14. Department of Personnel, Follow-up Study

1980

15. Board of Electricity
16. Twin Cities Metropolitan Transit Commission
17. Information Services Bureau
18. Department of Economic Security
19. Statewide Bicycle Registration Program
20. State Arts Board: Individual Artists Grants Program

1981

21. Department of Human Rights
22. Hospital Regulation
23. Department of Public Welfare's Regulation of Residential Facilities for the Mentally Ill
24. State Designer Selection Board
25. Corporate Income Tax Processing
26. Computer Support for Tax Processing

27. State-sponsored Chemical Dependency Programs, Follow-up Study
28. Construction Cost Overrun at the Minnesota Correctional Facility - Oak Park Heights
29. Individual Income Tax Processing and Auditing
30. State Office Space Management and Leasing

1982

31. Procurement Set-Asides
32. State Timber Sales
33. Department of Education Information System
34. State Purchasing
35. Fire Safety in Residential Facilities for Disabled Persons
36. State Mineral Leasing

1983

37. Direct Property Tax Relief Programs
38. Post-Secondary Vocational Education at Minnesota's Area Vocational-Technical Institutes
39. Community Residential Programs for Mentally Retarded Persons
40. State Land Acquisition and Disposal
41. The State Land Exchange Program
42. Department of Human Rights: Follow-up Study

1984

43. Minnesota Braille and Sight-Saving School and Minnesota School for the Deaf
44. The Administration of Minnesota's Medical Assistance Program
45. Special Education
46. Sheltered Employment Programs

In Progress

47. County Managed Tax-Forfeited Lands
48. State Block Grants to Counties